Public Utilities

FORTNIGHTLY

Volume XLIV No. 12 December 8, 1949

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

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Public Utilities FORTNIGHTLY

VOLUME XLIV DECEMBER 8, 1949 NUMBER 12

ARTICLES

FEATURE SECTIONS

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PUBLIC UTILITIES FORTNIGHTLY . . stands for Federal and state regulation of both privately owned and operated utilities and publicly owned and operated utilities, on a fair and nondiscriminatory basis; for nondiscriminatory administration of laws; for equitable and nondiscriminatory taxation; and, in general—for the perpetuation of the free enterprise system. It is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

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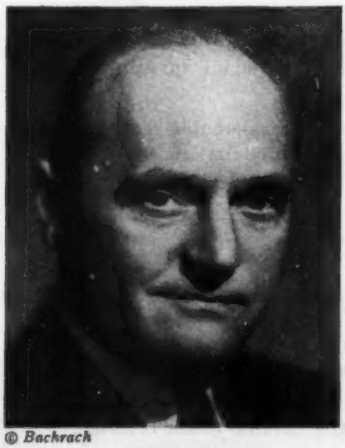
Pages with the Editors

A GOOD many men, even in management, assume that American industry, on the whole, is marvelously equipped. This is only relatively true—in comparison with the beggared companies of war-torn Europe, and other nations that never were industrialized. But compared with the ordinary projected need of American business demands, according to well-established technological practice, the present plant of American industry is not particularly up to date.

WHAT is more, much of it needs replacement in addition to expansion. This is a certainty in the public utility field where the need for expansion and improvement is making unprecedented demands on private investment. It would be a mistake, therefore, to get the complacent attitude that because a utility plant is still in good running order that it is still a good or even adequate plant.

As the general manager of the National Tool Builders Association stated not long ago, "The fact is that the manufacturing plants of this country are still filled with machine tools of war and prewar vintage which have long since been obsoleted by postwar models and represent high-cost operation today. Delay in replacing these old machines by modern equipment that turns out more work for the consumer's dollar is a costly perpetuation of inefficiency."



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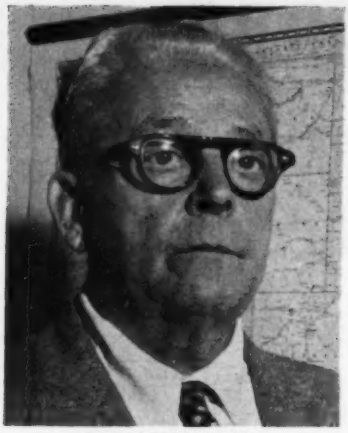
H. EDWIN OLSON

JAMES H. COLLINS

FORTUNATELY, the nation's business has largely whipped the bottle-neck problem of material shortages and plant machinery production. The major remaining problem is a financial one. New techniques are urgently needed for floating the large amounts of security issues necessary to bring the needed new plant into existence. Anything that can make the utility securities more attractive to the investor is of much timely benefit to the industry's welfare and to the public interest, generally.

FOR this reason, we believe that the opening article in this issue by H. EDWIN OLSON will make profitable and interesting reading for our subscribers in both management and financial circles. It is a description of a new and fairly simple way to give utility securities that little "extra push" which is so often the decisive margin, in attracting the investor's dollar to one industry or investment field rather than another. After all, in these highly competitive days of in-



BERT P. MANLEY

vestment finance a little extra margin is something like the extra effort of packaging in the competitive field of retail merchandising.

ONE needs only to look into such commonplace commercial retail rivalry as bakers' bread, coffee, fruits, nuts, and a host of other branded and unbranded housekeeping items. So often, the inherent excellence of one brand is so close, in price and quality, to its rival brands that a convenient or brightly attractive package will spell the difference, in terms of more sales to the customer. It is the same story of that little "extra push."

AND so it is in the lively contest for the investor's dollar. MR. OLSON describes a fairly simple and convenient way to give utility common stock financing a little "extra push." His present position is that of financial vice president, member of the board of directors, and member of the executive committee of the Columbia Gas System, Inc.

BORN and educated in Sweden, MR. OLSON has long been a citizen of the United States. Following service with the air branch of the AEF in World War I, he started as an accountant and auditor for the American Gas & Electric Company in 1922. Since 1928, he has filled various accounting and financial positions with the former Columbia Gas & Electric Corporation and its successor organization, Columbia Gas System, Inc. He is a director in a dozen of the gas and electric companies affiliated with that group. He has also been active in the Academy of Political Science, American Gas Association, and Controllers Institute of America.

* * * *

BERT P. MANLEY, whose article on the West coast's reliance on coal fuel begins on page 785, is executive secretary of the Utah Coal Operators Association of Salt Lake City. He has been continuously associated with the bituminous coal industry for forty years—executive secretary of the Utah Coal Operators Association since 1933. He came to America as a boy from his birthplace in Scotland and got into the coal business in 1913, working in the coal fields of Arkansas and Oklahoma before going to Utah. In recent years he has devoted much effort to surveying fuel demands.

* * * *

IN this issue we also present the third instalment of the 4-part article on the origin of utility plant names, written by J. LOUIS DONNELLY of the editorial staff of *The* (New York) *Journal of Commerce*. We are pleased to note that this DONNELLY series, which will be concluded in our next issue, continues to stir up interest among our readers and friends in various utility organizations.

SCARCELY a day goes by in which the mail does not bring us new facts and details which might be added to MR. DONNELLY's discussion of the plant names in this or that utility organization. We have tried to include at least a reference to such addenda where editorially practicable. But if perchance the final instalment does not round up every substantial item of information along this line, we simply hope our readers will understand that the omission was inadvertent.

THE next number of this magazine will be out December 22nd.

The Editors

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VIRGINIA KEEPS HER UTILITIES RUNNING

In these days of challenge with respect to legislation for the regulation of labor relations, it is interesting to note that the Virginia antipublic utility strike law seems to be more than holding its own notwithstanding considerable pressure. James G. Kilpatrick, chief editorial writer of **The Richmond News Leader,** has made an analysis of how the state of Virginia, under this law, has managed to keep Old Dominion public utility wheels turning.

WHO OWNS THE ELECTRIC COMPANY?

There seems to be increasing interest among utility managements in well-conceived programs designed to foster different community relations. One such successful program was the recent series of advertisements by a Wisconsin utility showing the widespread ownership of the company's securities. G. W. Van Derzee, president of Wisconsin Electric Power Company, gives us an account of the favorable response to this plan of publicity.

WHAT SAYS THE COURT: CRITERIA FOR UTILITY REGULATION

Court-made law for public utility regulation has come in for its share of criticism in the past. During recent years, Federal courts have retreated from supervision or intervention in the direct control of utility operations. Now comes the former chairman of the Connecticut commission, Clyde Olin Fisher, professor of economics at Wesleyan University, to raise the question whether the courts have retreated too far, leaving the commissions without adequate guiding standards.

WHAT'S IN A NAME? PART IV.

The fourth and concluding instalment of J. Louis Donnelly's account of the origin of names given to plant buildings and structural works of public utility companies.

★

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***

Remarkable Remarks

"There never was in the world two opinions alike."
—MONTAIGNE

NOAH M. MASON
U. S. Representative from Illinois.

"Doing business without paying taxes is becoming a national racket."

GEORGE N. CRAIG
National commander, American Legion.

"The American Legion wants a state of welfare in America, but not a welfare state."

L. F. MCCOLLUM
President, Continental Oil Company.

"The great and relatively unchartered frontier that lies ahead is the field of human relations."

HERBERT H. LEHMAN
U. S. Senator-elect from New York.

" 'Statism'—'the welfare state'—applied to the American scene are the merest ghost words designed to frighten the unthinking."

AMORY HOUGHTON
Chairman of the board, Corning Glass Works.

"If business is to continue its long-term growth trend good earnings are essential to build and attract the new capital needed."

JOSEPH W. MARTIN
U. S. Representative from Massachusetts.

"The American economy is so shaky now that an increase in the tax burden might easily lead to a depression with millions out of jobs."

EARL BUNTING
Managing director, National Association of Manufacturers.

"American life will rest on a much more even keel if we do what it takes to put some business sense of integrity and basic principles back into government."

DONALD R. RICHBERG
Lawyer and author.

"The approach of bankruptcy to a nation is a warning of impending chaos, and of a revolutionary change in government which then becomes necessary to recreate stability in the economic system."

HARRY FLOOD BYRD
U. S. Senator from Virginia.

"America is on the march to Socialism. . . . The deficit financing of Federal programs in time of peace is piling up a Federal debt to proportions in which the liberties of free enterprise cannot survive."

ROBERT P. BOYLAN
Chairman of the board, New York Stock Exchange.

"If business cannot get money from the private investor, it will have to get it from the government, which, of course, would mean that eventually private capital would be eliminated from our enterprises."

BERNARD J. WASHICHEK
President, Chipper Participants, Inc.

"Have we gone completely wacky on the idea of security and guaranteed this or assured that? Where is our wartime courage? In peacetime it is the will to work, sacrifice, and achieve translated into risk-ridden action."

JOHN WESLEY SNYDER
Secretary of the Treasury.

"In the four years since VJ-Day, businessmen in this country have spent the tremendous sum of about $85 billion for new equipment, and in construction and modernization of plants. Over $15 billion of this amount has been spent during 1949."

ALLAN B. KLINE
President, American Farm Bureau Federation.

"When someone promises cheap prices for consumers and high prices for farmers on the same items it sounds to me like a vote-getting appeal. At first glance it looks good for everybody. But farmers had better take a good look at the regimentation and controls involved . . . [This] looks like an agricultural approach to statism."

EDITORIAL STATEMENT
The Wall Street Journal.

"For at least two reasons our government should do less lending abroad instead of more. First, its own budget already gives signs of being strained by domestic exactions to the point of deficit financing. Second, the history of international finance for the last quarter century shows how easily and conveniently intergovernment loans can be repudiated."

IVAN L. WILLIS
Vice president, International Harvester Company.

"Our basic concept of a union is that it is the employee's lawyer on certain specific topics only. On everything else, the relationship is a direct one between us and the employee. We consider employees our employees, not the union's employees. While we are not antiunion, we are all done allowing unions or anyone else to tell our story to employees. We are going to do that ourselves."

WILLIAM M. RAND
President, Monsanto Chemical Company.

"Suspicion as to who benefits from our profit system and as to the desire of business to create a depression, cut wages, and break unions must be eliminated as speedily as possible. The utter failure of planned economies, with their bare subsistence standards of living is proof that government alone cannot provide the buildings and tools with which to create a satisfactory economic environment."

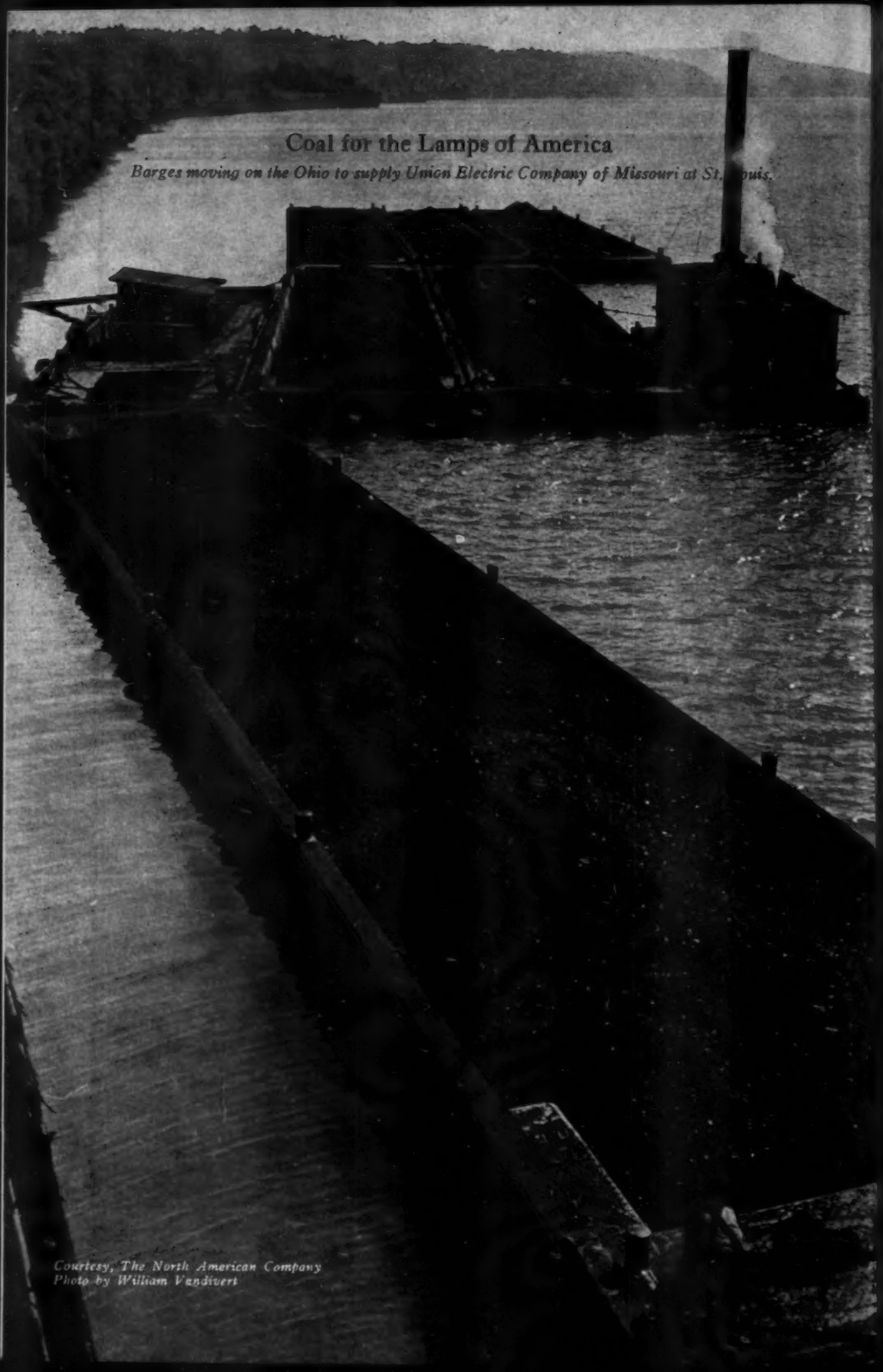
EDITORIAL STATEMENT
Chicago Journal of Commerce.

"British health insurance this year will cost some $200,000,000 more than the experts estimated. Short of printing-press money, which would wreck the scheme in any case by destroying Britain's internal and external credit, that $200,000,000 eventually will have to be earned by the British taxpayers' personal efforts. And what is true of Great Britain in this matter is equally true of any other nation, including the United States."

Utilities Almanack

DECEMBER

8	Th	¶ *Canadian Electrical Association will hold annual winter conference, Quebec, Canada, Jan. 16-18, 1950.*
9	F	¶ *Southwestern Institute of Radio Engineers begins annual meeting, Dallas, Tex., 1949.*
10	Sa	¶ *Plant Maintenance Show and Conference will be held, Cleveland, Ohio, Jan. 16-19, 1950.*
11	S	¶ *American Society of Heating and Ventilating Engineers will hold annual meeting, Dallas, Tex., Jan. 23-27, 1950.*
12	M	¶ *Southwest Air Conditioning Exposition will be held, Dallas, Tex., Jan. 23-27, 1950.*
13	Tu	¶ *American Institute of Electrical Engineers will hold winter general meeting, New York, N. Y., Jan. 30-Feb. 3, 1950.*
14	W	¶ *Texas Telephone Association will hold annual convention, San Antonio, Tex., Mar. 6-8, 1950.*
15	Th	¶ *Illinois Telephone Association will hold annual convention, Springfield, Ill., Mar. 22, 23, 1950.*
16	F	¶ *New England Gas Association will hold annual meeting, Boston, Mass., Mar. 23, 24, 1950.*
17	Sa	¶ *Southern Gas Association will hold annual meeting, Galveston, Tex., Mar. 27-29, 1950.*
18	S	¶ *Nebraska Telephone Association will hold annual convention, Omaha, Neb., Mar. 28, 29, 1950.*
19	M	¶ *American Society of Agricultural Engineers begins winter meeting, Chicago, Ill., 1949.*
20	Tu	¶ *National Farm Electrification Conference begins, Chicago, Ill., 1949.*
21	W	¶ *American Gas Association will hold Distribution Motor Vehicle and Corrosion Conference, Detroit, Mich., Apr. 3-5, 1950.*



Coal for the Lamps of America

Barges moving on the Ohio to supply Union Electric Company of Missouri at St. Louis.

Courtesy, The North American Company
Photo by William Vandivert

Public Utilities
FORTNIGHTLY

VOL. XLIV, No. 12 DECEMBER 8, 1949

How a Utility Company Raised Common Stock Capital

Discussion of important features of a successful plan employed in obtaining funds, a procedure which departed from conventional methods of offerings.

BY H. EDWIN OLSON*
VICE PRESIDENT, THE COLUMBIA GAS SYSTEM, INC.

FOR many years prior to 1946 the utility industry financed its expansion only to a minor extent with common stock. But recently, faced with a postwar construction program of huge proportions, the industry was presented with the problem of financing a substantial part of its capital requirements through the sale of common stock.

During 1946, 1947, and 1948, approximately one billion dollars of utility common stocks, including common stocks disposed of by holding companies because of divestment proceedings, were sold. They were marketed in many ways and the methods used, adapted to the particular problems involved, have varied.

Here is a story of how one public utility holding company tackled its problem of common stock financing.

The plan which The Columbia Gas System, Inc., together with its financial adviser, The First Boston Corporation, developed, enabled us to raise $21,655,000 from the sale of common stock during a period of nine months. The

*For additional personal note, see "Pages with the Editors."

details might interest other companies faced with financing problems.

THE COLUMBIA GAS SYSTEM, INC., is a holding company whose natural gas operations are carried on by eighteen wholly owned subsidiaries. The system's postwar construction program began in 1946 and was financed with funds provided from internal sources and from the sale of debentures.

In the summer of 1948, however, it became apparent that a substantial portion of the funds to be raised for 1949 construction had to be obtained from the sale of common stock in order to maintain a balanced capital structure. Estimates indicated that over $20,000,000—more than 15 per cent of the market value of Columbia's outstanding shares—would have to be raised from the sale of common stock which, because of their preëmptive rights, must be offered to our approximately 63,000 stockholders.

We realized there would be a temporary dilution of earnings between the time when the new shares began to participate in earnings and dividends and the time when the new construction would be producing income, and that the common stock should not be sold too far in advance of the time that cash was required. However, because of the amount involved it appeared that our common stock financing should be done in two parts, spaced as widely apart as possible. The first offer was actually made on October 5, 1948, and the second on May 24, 1949.

WE first considered the two conventional methods of stock offerings —an offering to the stockholders, without underwriting, with the right to dispose of any shares not taken by them; and an underwritten offering with the underwriters agreeing to purchase shares not taken by stockholders. In the first case, Columbia would have assumed the risk of an unsuccessful offering. In the second case, Columbia would have insured itself against such a contingency.

An offering without underwriting involved, among other things, the fixing of a subscription price at which the offering would be reasonably successful. Studies indicated that, in the absence of any unusual circumstances, the subscription price would have to represent a substantial discount below the current market price in order to assure a successful offering. However, such equity money would be very costly. So it was generally felt, in view of the magnitude of the construction program, Columbia should set the price at a relatively small discount from the market.

IN considering an underwritten offering, it appeared that substantial fees would be involved. Market conditions were unsettled, the amount involved was large, and the offering period was long. Therefore, underwriters would have to be compensated for the considerable risk which they would take.

In addition, the effect of the first half of the common stock financing upon the second half had to be considered. For example, if because of very adverse market conditions an underwritten offer proved unsuccessful and the underwriters were obliged to take up a substantial amount of the stock offered, such stock would tend to hang over the market and depress the

market value of the Columbia common stock, possibly for a considerable period of time—a serious handicap to the second part of our common stock financing.

From our studies we concluded it would be advisable for Columbia to make an offering to its stockholders without underwriting. But, in order to make the offering at a price not too much below current market value and to minimize the risk of an unsuccessful offer, we decided to enlist the services of a great many security dealers throughout the country as participants in the offering.

THERE are over 1,000 firms, members of the National Association of Security Dealers, Inc., engaged in the sale of securities to and for their customers—the ultimate investors.

Most individual security holders rely upon security dealers and brokers or commercial banks for advice as to what securities to buy or sell and whether or not to exercise rights. We believed that if dealers were confident that the Columbia financing was sound and the offering attractive, they, in turn, would urge acceptance of it by their customers.

The three most important features of our plan were: (a) the education of security dealers throughout the United States concerning Columbia, the subscription offer, and the investment quality of its common stock; (b) the payment of fees to security dealers for procuring the exercise of warrants by either the original holders or by new owners; and (c) the privilege of oversubscription whereby warrant holders could subscribe for additional shares of stock.

Using this method, Columbia sold 1,223,000 shares of common stock at $10 per share in the fall of 1948, with the issue being 191.5 per cent subscribed, and 1,040,302 shares at the same price in the spring of 1949, with 77 per cent of the issue being subscribed.

The results of the two offerings are illuminating, since two extremes in market conditions were encountered. In the fall of 1948, a very strong market developed during the offering period. But, in the spring of 1949, we encountered one of the severest market breaks in recent years.

The 1949 plan was a revision of the plan used in 1948. Its more important features were:

1. STOCKHOLDERS were permitted to subscribe for new common stock at $10 per share in the ratio of one new share for each 10 shares held. Registered warrants showing the total

TABLE I

Subscription Data	*1948 Offering*	*1949 Offering*
Shares offered	1,223,000	1,345,300
Offering price per share	$10	$10
Shares subscribed for on primary subscriptions	1,136,738	833,612
Shares available for additional subscriptions	86,262	511,688
Additional shares subscribed for	1,205,335	206,690
Shares remaining	None	304,998
Excess of total subscriptions over shares offered	1,119,073	.....
Number of dealers earning commissions	656	592
Shares on which commissions were paid	710,516	680,963
Per cent of total shares sold	58.1	65.5

number of rights to which the holder was entitled were issued to each stockholder. No fractional warrants were issued, but, when a warrant was exercised, the holder authorized the corporation's agent to purchase or sell for his account the number of rights (not exceeding 9) necessary to round out his subscription to one or more full shares.

2. When exercising his warrants, the holder could also subscribe for any number of additional shares of common stock. Such additional subscriptions were filled from the shares remaining after the primary subscriptions had been met. If there were not enough to take care of all additional subscriptions, the available shares were to be allotted in proportion to the number of primary rights the "oversubscriber" exercised, and not in proportion to the number of additional shares requested. This method of allocation was used for two reasons: first, because it seemed the most fair to stockholders; and, second, because it encouraged primary subscriptions. Subscribers were required to remit with their subscriptions the full $10 per share for the primary subscriptions, plus a down payment of $2 per share on additional subscriptions.

3. Security dealers were permitted to participate in the offering. The dealers' group was managed by The First Boston Corporation. Dealers who participated by entering into an agreement with the manager were paid a fee of 30 cents per share (25 cents in the first offering) when they procured the exercise of warrants. Fees were payable on both primary and additional subscriptions. Eligibility to receive the fee was evidenced by the insertion of the name of the dealer in the space provided on the warrant. The amount of fee payable on subscriptions for over 1,000 shares was limited. A limit of $300 was made but only with respect to subscriptions by any one original beneficial owner of warrants, subscriptions by transferees of warrants being exempt. Subscriptions by participating dealers for their own accounts were not subject to this limitation.

4. Within the existing framework of Federal regulation, The First Boston Corporation embarked on an intensive campaign of informing security dealers throughout the country of the Columbia offer. At the time of the 1948 offering, representatives of the manager held meetings with dealers in a number of cities. At these meetings a motion picture explaining the operations of the Columbia Gas System was shown. Representatives of the manager discussed in detail the red-herring prospectus, explained how the simplified warrant should be completed for exercise, and explained how a dealer could earn a fee.

Since the 1949 offering was so soon after the 1948 offering, only one meeting was held. However, all of the dealers were kept fully informed of the 1949 offering by the manager.

It can be seen that the services of a competent manager with aggressive selling ideas was an essential part of our plan.

Columbia did not make a list of its stockholders available to dealers. It was felt that most stockholders were either

Dealer Influence on Customer Sales

"THERE are over 1,000 firms, members of the National Association of Security Dealers, Inc., engaged in the sale of securities to and for their customers—the ultimate investors. Most individual security holders rely upon security dealers and brokers or commercial banks for advice as to what securities to buy or sell . . ."

presently or had, in the past, been clients of dealers. Also, the furnishing of such stockholder information may have subjected the stockholders to solicitation from several dealers. Moreover, the plan was designed to offer an incentive to security dealers to find new investors who would absorb the shares not subscribed for by Columbia's existing stockholders.

Initially, the plan raised a number of new questions under the Securities Exchange Act of 1934. The Securities and Exchange Commission recognized that the plan attempted to devise a new method to facilitate the marketing of equity securities. The commission and its staff coöperated with Columbia in developing the plan so as to eliminate any conflict with the act.

THE 1948 agreement between the dealers and manager restricted the trading in warrants by dealers. While dealers were free to act as they pleased in regard to stock owned by them on the record date and the warrants issued on such stock, they were permitted to purchase additional warrants *only* for the purpose of exercising them in order to cover a *previous* sale of common stock made while they were members of the participating group of dealers and only if such sale had been made at a price not higher than the preceding day's closing price of the Columbia stock and not lower than the subscription price of the stock.

However, these restrictions were found to work a hardship on dealers who, in certain instances, found it difficult to acquire warrants to cover previous sales of stock. Accordingly, in the 1949 offering The First Boston Corporation, as manager, was permitted to buy warrants, to exercise such warrants, and to sell warrants or common stock to dealers. In this manner, the manager could act as a reservoir from which dealers could obtain warrants or common stock.

As previously mentioned, the two extremes of market conditions were encountered. The 1948 offering was

made to stockholders of record on October 5, 1948. At that date, the Columbia common stock was selling for 11¼. This was the lowest price the stock reached during the offering and, on October 28, 1949, the expiration date of the offering, the Columbia common stock was selling at 12¼. During this period, the Dow-Jones utility average went from 34.75 to 35.31.

On May 24, 1949, the record date for our last offering, Columbia common stock was selling at 10⅝. On June 14, 1949, the expiration date of the offering, Columbia common had dropped to 9⅞, which was below the offering price of 10. During this same period, the Dow-Jones utility average dropped from 35.42 to 33.89.

The statistics set forth in Table I illustrate how our plan worked successfully under these different market conditions. (See page 779.)

It cannot be proved that these results were better than those which would have resulted from the use of the more conventional forms of offerings. However, certain facts are apparent. Because of the market action during the period of our first offering, underwriting would have been an unnecessary protection and a straight offering with an oversubscription privilege would probably have been successful without the assistance of dealers. But, while the assistance of dealers may have been unnecessary, the fees paid were a reasonable price for the protection which the plan gave to Columbia. In our second offering, when adverse market conditions were encountered, the dealers were largely responsible for the results obtained. On June 14, 1949, when the offering expired, our common stock was selling at 9⅞. On that day, subscriptions totaling 648,960 shares at $10 per share were received. Nearly all of these subscriptions were turned in by dealers.

A straight offering in June, 1949, would probably have been unsuccessful. Had the offering been underwritten with an arrangement of a sliding scale of fees, the cost of the underwriting undoubtedly would have been substantial.

Naturally, we were disappointed that only 77 per cent of the stock offered in 1949 was sold. However, in money this amounted to $10,400,000. Related to the market conditions which prevailed, the results were gratifying and the importance of dealer participation was demonstrated.

We believe the fees paid to dealers were reasonable. In 1948, such fees amounted to about 1½ per cent of our gross proceeds. In 1949, they amounted to about 2 per cent.

The determination of the fee to be paid security dealers is one of the most important elements in the development of a plan such as ours. Consideration must be given to the credit rating of the corporation, the size of the issue, the length of time of the offered period, and the market conditions at the time of the proposed offering. It is in the determination of this fee and the fixing of the offering price that the services of a competent financial adviser are most valuable.

In some cases, plans similar to ours have provided for a higher fee to be paid on oversubscriptions. Under normal conditions, this does not appear necessary. However, in cases such

as our 1949 offering when market conditions were adverse, such an arrangement might prove an added incentive for dealers to oversubscribe and hold shares for an improved market.

Table II shows shares subscribed for by old and new stockholders and the dealer participation in the offerings.

Because such a substantial amount of our stock is in the name of brokers as nominees, these statistics do not indicate how successful the plan was in obtaining new investors. It is not possible to say whether the brokers were subscribing on behalf of existing stockholders or new stockholders. One thing is certain, however. The brokers, after a thorough briefing on the Columbia offer, did encourage their customers to acquire Columbia stock.

ANOTHER important aspect of our program was the development of new methods of presenting the subscription offer to stockholders.

A small pocket-size prospectus with newspaper-type columns was used. Material required by the Securities Act of 1933 was presented tersely, in a far shorter form than usual. For example, we cut the information on franchises held by subsidiaries from four pages to seven lines. We decided that investors did not want to know

TABLE II

	Number Of Accounts		Shares	
STOCKHOLDER DATA				
From Old Stockholders:	*1948*	*1949*	*1948*	*1949*
Individuals	25,080	16,437	436,742	327,244
Brokers	223	190	377,924	382,958
Nominees	123	159	48,297	62,193
Others	217	284	137,954	189,911
Total Old Stockholders	25,643	17,070	1,000,917	962,306
From New Stockholders:				
Individuals	1,183	720	78,582	48,589
Brokers	68	14	115,495	26,972
Nominees	3	—	862	—
Others	16	9	27,144	2,435
Total New Stockholders	1,270	743	222,083	77,996
Total	26,913	17,813	1,223,000	1,040,302
DEALER PARTICIPATION DATA				
From Old Stockholders:				
Individuals	8,780	4,164	217,334	124,393
Brokers	191	179	239,399	370,294
Nominees	80	155	31,998	58,589
Others	126	154	18,554	65,535
Total Old Stockholders	9,177	4,652	507,285	618,811
From New Stockholders:				
Individuals	741	342	70,727	34,662
Brokers	60	14	104,895	25,155
Nominees	1	—	500	—
Others	13	8	27,109	2,335
Total New Stockholders	815	364	203,231	62,152
Total	9,992	5,016	710,516	680,963

the name and expiration date of each franchise held. Rather, they wanted to know that the franchises of the system are adequate to the business which the system conducts. This is what the prospectus told them.

We examined every sentence in the prospectus to determine whether it helped the investor get an accurate and complete picture of The Columbia Gas System. If it did not, it was revised or eliminated. Furthermore, everyone connected with the preparation of the prospectus constantly strove to make the presentation simple and understandable.

We tried to make it easy for the stockholder to exercise or dispose of his rights. He was sent a single warrant which bore on its face not only a statement of the number of rights which it represented, but forms for primary and additional subscriptions, purchase or sale of odd rights, assignment by the holder, and the name of the participating dealer. Complete instructions for the use of the warrants were printed on the back. Thus, separate instruction sheets and subscription forms were unnecessary.

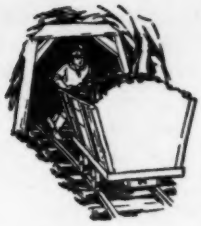
We felt it important in our relationship with security dealers over the country to present the Columbia story in a simple and attractive prospectus; to make it easy for the dealer to explain the warrant to his clients and to speed procedures so the dealer would be paid promptly. Two times during the 1949 offering period checks were mailed to dealers. Within a week after the offer terminated, the dealers had been paid all fees to which they were entitled.

I mention these points chiefly because so often we neglect to apply to the sale of common stock the same fundamentals of sound salesmanship employed when selling the product of the corporation. The development of principles and procedures in a stock issue plan should receive the same care as we would give to any other public relations problem.

The plan we used, or variations of it, are being used more frequently now, and many of the larger banks have developed procedures for the efficient handling of details involved.

We have been extremely satisfied with the plan outlined here. But we do not believe that it is necessarily the only plan. Two of the largest blocks of utility common stocks disposed of in recent years were sold by Columbia in 1946 when it divested itself of investments in electric utility companies. Each divestment involved over $50,000,000 of common stock. In one case the stock was sold outright at competitive bidding to investment bankers. In the other case we offered the stock to our own stockholders, but had the offering underwritten. Thus, in a period of about three years we found it desirable to use three different methods of marketing utility common stock.

If we are again confronted with the problem of common stock financing, we will use whatever plan appears best under the existing conditions. However, as we all know, much of the equity capital needed today must be raised from the small investors. I know of no better way in which these small investors can be reached than through the intelligently directed efforts of the nation's security dealers.



The West Coast Looks To Coal Fuel

So much is said about hydroelectric development on the West coast that the importance of steam-generated electricity has been overshadowed in the minds of many people. Here is an account of the big part played by coal in the power picture, as well as the over-all fuel picture, of the West.

By BERT P. MANLEY*

THE mineral fuels energy supply is so basic an index to civilization that today is a propitious time for inventory taking in contemplation of the future. What is propounded here is a plea for a wise usage of fuels resources, and in the long view ahead it is incontrovertible that the preponderance of America's known mineral fuels resources are in the form of coal and lignite. In fact, their fundamental abundance is such that they are the main long-term reliance for liquid, gaseous, and solid fuels. Because I am a Utah coal man, this is beamed to the Pacific coast economy.

In due perspective, consider that from 1935 to 1948 the U. S. population increased 15 per cent as its *energy* needs (mineral fuels and hydroelectric) leaped 81 per cent. Related to the prewar 5-year average of 1935 through 1939, population grew 13.3 per cent as energy needs went up to 64 per cent, and is it necessary to mention that the Pacific coast's growth in population and industrialization was an outstanding phase?

California is now probably the second most populous state. It has 45 per cent more people than in 1940, and the expansive demands on its electric and natural gas capacity have been phenomenal. From 1940 to 1947 the electric energy sales of Pacific Gas and Electric Company jumped 81 per cent while those of the Southern California Edison Company leaped 93 per cent. In six years the city of Los Angeles' electricity needs rose 72 per cent.

THERMAL generation by Pacific Gas and Electric vaulted 822 per cent between 1940 and 1947 as its hydro output increased 16 per cent. The steam-generated output of South-

*For personal note, see "Pages with the Editors."

ern California Edison Company multiplied 17 times while that from water power enlarged only 17 per cent.

By 1951 it looks as if 54 per cent of the Pacific G&E output may be steam-generated, by contrast with 43 per cent in 1943. In the unfortunate contingency of a dry year in 1952 this eminent utility system would need 25,000,000 barrels of fuel oil for its boilers, or something under 6,000,000 tons in coal equivalence.

About one-third of the electric customers in the state are served by Pacific G&E in 46 central and northern counties, and some 260,000 kilowatts were taken from outside systems to meet a peak demand of 2,113,400 kilowatts in midyear 1948. PG&E also drew 335,000 kilowatts from the Shasta plant of the Central Valley project, according to PUBLIC UTILITIES FORTNIGHTLY of March 17, 1949.[1] By 1951, the capacity will have doubled since 1943 to 3,054,763 kilowatts, with steam proportion being nearly 54 per cent. By 1951, PG&E will have devoted $700,000,000 on expansion. Four steam plants under way for completion by the end of 1951 will have a capacity of 1,822,222 kilowatts and cost over $139,000,000.

For a quarter century California has produced its own fuel oil while supplying to Arizona, Nevada, and some to Idaho. It has exported oil overseas to the Far East. Today this great industrialized state is confronted with the need for importing oil. The prospect of flush new sources in western Canada cannot gainsay that petroleum is still a relatively short-life fuels resource in relation to coal, and it is in point that the domestic search for more petroleum is probing deeper—and ever deeper—and even out into the sea waters of the Continental shelf.

The California economy has thrived on its petroleum and natural gas, yet already gaseous energy is being piped in from Texas and New Mexico. *Consuming needs* portend that natural gas should be conserved for those purposes which serve the highest social functions, as home cooking and heating, and for special industrial processing in which gas does the job conveniently. Why should it continue to be burned up in spendthrift fashion, as under steam boilers, when abundantly available coal can fuel those boilers equally well?

THE growing pains of industrialization around the Texas gulf have been remarkable, too, and are inclining the conservation-minded to advocate that the lush natural gas fields of the mid-continent should be stretched out —made to last—for supporting the economy of that renowned region. Nearing fruition at Brownsville, Texas, is the nation's first commercial Fischer-Tropsch plant for manufacturing synthetic liquid fuels out of natural gas as the raw material, thus imbuing natural gas with a newly great social significance. The once prolific Appalachian natural gas fields of the East are now depleted, and it oversimplifies the question to contend that known natural gas reserves are enlarging. *Consuming needs* are the real consideration, and these are rising faster. Let us stretch it out and make it last!

Out here in the West we feel that the future of this great region depends

[1] "California Bursts Its Utility Buttons," by James H. Collins, Volume XLIII, No. 6, page 333.

on developing and reclaiming land by irrigation. It is to be regretted that this social requirement becomes confused by political controversy of public *versus* private power, and advocacy of hydro power is advanced in conjunction with multipurpose dams for reclamation and flood control. But the purview of water for power energy is limited. The prospect of economically harnessing the forces of falling water is conditioned by proximity to big electricity-consuming markets and to the amount of normal rainfall. In general, the best sites are already in use, and many of the subsidized future ventures will add up to high-cost energy for the consumer-taxpayer to pay for. The Pacific Northwest, where public waterpower advocacy has been so vocal, has experienced a noteworthy regional power scarcity in recent years.

Please consider this: that drawing upon the West's huge reservoir of coal is a better conservation policy than government-subsidized hydroelectricity with its hidden tax burden (actually high-cost energy) for the citizenry. Even if the potentialities of water power were fully exploited, they could not solve the phenomenal demand for power energy. The growing reliance will be on thermal-generated electricity.

Atomic power's technology must mature with informed opinion inclining to the view that at least ten or twenty years will elapse before that can become a commercial force. Fuels economists must gauge their long-range thinking to the mountain-sized fact that the energy reservoir is greatly in coal and lignite.

Reserves

THE U. S. Bureau of Mines has calculated the percentage distribution of the nation's mineral fuels energy resources, as measurable in BTU's (excluding atomic power). It assumes that half of the coal reserves are recoverable.

Recoverable coal	95.5%
Recoverable coal from oil shale	3.5%
Proved natural gas	0.5%
Proved petroleum	0.5%
	100.0%

Nearly half of the colossal composite of solid fuels is in five western states. Sub-bituminous and lignite exist enormously, and bituminous has a superabundance. It is in point that the oil industry devotes many millions of dollars to researches looking toward synthetic liquid fuels, and it is toward these huge western deposits that oil men are—or should be—taking a contemplative look. Oil shale is in very great abundance, and while shale will supply processed fuel oil, it presents serious refining problems at this time as to gasoline. Shale is mineable much more cheaply than is coal, but coal con-

¶ "THE *California economy has thrived on its petroleum and natural gas, yet already gaseous energy is being piped in from Texas and New Mexico.* CONSUMING NEEDS *portend that natural gas should be conserved for those purposes which serve the highest social functions, as home cooking and heating, and for special industrial processing in which gas does the job conveniently.*"

version yields more in liquid fuels content and bulk by-product raw chemicals.

The solid fuels reserves are deceptively huge, admittedly. Nature placed our coal beds in ways which preclude complete recovery by known methods. The estimations include all beds down to a minimum of 14 inches thick and not deeper than 3,000 feet. Western beds in general are multiple, and in practice the removal of coal from one bed in some circumstances renders the extraction from other coal strata problematical. However, there is ample good coal that is economically recoverable.

Plenty of good steam coal is available in Utah, Wyoming, in the Pacific Northwest, Alberta, British Columbia, New Mexico, and Colorado. Alaska's extensive reserves should be considered as high-cost coals of inferior heating value.

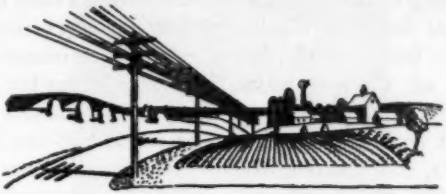
The Sunnyside district of Utah has coking coals, as have the Crow's Nest Pass part of British Columbia and Alberta. Western coking coal reserves are limited, however, and in the concept of wise use of fuels resources these should be committed to coking and metallurgical purposes.

WYOMING coals are generally of higher moisture content than are Utah coals, and other western qualities. The beneficiation of these coals, now being studied by the U. S. Bureau of Mines, has promise of an economical cost basis for processing and perfecting a way to prevent spontaneous combustion of the low-rank coals. A saving in freight costs would be indicated and, by modern mechanical cleaning practices, they could be rendered into a fuel product having less sulphur and ash.

Existing capacity of the mines of Utah and Wyoming's Kemmerer and Rock Springs districts could enlarge their annual output by 6,500,000 tons. Coal-mining capacity here is long and well established. It could be delivered into central California in the $9.65 per ton price range, which is admittedly above the BTU equivalence in fuel oil. The governing price factor in coal is wage costs, and significantly the bituminous coal miner has been for sometime the recipient of top-level earnings among the 160 mass production industries on which the U. S. Bureau of Labor Statistics compiles earnings data.

WHAT is advanced here is that western coal has now, and will continue to have, availability, and when the electric utilities of the Pacific coast again use coal they will not change back. The long term would seem to indicate higher purchase costs on oil and natural gas. Aside from union labor's possible demands in the future, another imponderable is the extent to which government-subsidized power may further encroach on free enterprise utilities, especially as to hydro plants unrelated to land-use reclamation. Privately owned utilities can erect the requisite thermal capacity, and hydro plants where economically feasible, and they should be permitted to do so.

Our western coal operators note with satisfaction that the Pacific Gas and Electric Company is putting in standby equipment for conversion to coal by three new thermal plants—when the time comes. A coal market is foreseen for coal-fired steam plants in southern California, for process steam, cement,



Western Need for Irrigation

"It is to be regretted that this [western] social requirement becomes confused by political controversy of public VERSUS *private power, and advocacy of hydro power is advanced in conjunction with multi-purpose dams for reclamation and flood control. But the purview of water for power energy is limited."*

and other manufacturing. Nevada's outlook is progressive, too. The U. S. Gypsum Company plans a new plant and housing project at Gerlach. This indicates a need for electric and processing fuel.

PROGRESSIVE technology imbues the West's immense reserves with a truly great potentiality. What other basic industry can look forward to more significant developments than synthetic liquid fuels and the coal-burning gas turbine? A prototype gas turbine locomotive (burning oil) has received testing over the rugged terrain served by the Union Pacific Railroad, and significantly the General Electric Company is due for full-scale testing for adapting coal as gas turbine fuel. The steel mill at Fontana, California, was the site of thorough testing of the coal-handling equipment in the coal-burning gas turbine project of the Locomotive Development Committee of Bituminous Coal Research, Inc., which is progressing.

The gas turbine is a new prime mover requiring no water. It is simple, compact, needs little labor or lubricating attention, and has other virtues. Requiring no water, it eschews the costly, bulky auxiliary equipment of steam. Its efficiency is higher in wintertime than in the summer for the simple reason that cold air, being denser, is easier to compress. The gas turbine would seem to be a natural for regions where water is scarce or alkaline, as in Utah and elsewhere in the West. It burns liquid and gaseous fuels and, if solid bituminous coal is adaptable, which is indicated, this would be of great significance for railroad, marine, and stationary power purposes. The gas turbine offers the first opportunity to burn coal with high efficiency in a power plant requiring no water, and for stationary purposes it looks promising for the small and intermediate categories up to 20,000 kilowatts.

Now let's discuss the historical cycle: Prior to World War I, fuels utilization on the Pacific coast involved

substantial amounts of coals having a wide range of burning characteristics. Historically the coal fields of Washington, Vancouver Island, and the Coos Bay region of Oregon were sources. Colorado, Montana, and New Mexico have much coal. During the decade of the 1920's, coal lost out, especially in California, to oil, natural gas, and water power, and, in 1949, this pattern of fuels consumption continues to be heedlessly adhered to.

It is Utah and western Wyoming, however, which have the best proximity to the concentration of people and industry in California. Washington and Oregon receive coals to supplement their own production, but this is primarily for home heating and small industrial plants. There is not today a large plant coal consumer on the West coast, but time is on coal's side.

Petroleum's most useful social function is for energizing the auto, truck, airplane, and internal combustion engine, and not for burning so much of it under steam boilers where coal does that job so well and economically.

In the event of another war, it is appalling to contemplate the enormous requirements for liquid fuels—far more than during World War II.

As to natural gas, why not stretch out this short-life fuel resource by applying it to those social functions it serves best? Why sell it on what is tantamount to a dumping basis as steam-boiler fuel when coal is abundantly available?

Coal's fundamental abundance in the West bulwarks the fuels economy outlook for the western United States. It is a question of time.

"THE *typical business enterprise requires for success that its benefits be divided in a balanced way among these three beneficiaries—investors, customers, and employees. Because of this, more and more of the directors of American companies today are not primarily investors, nor customers, nor employees, but objective trustees, concerned with generating the maximum benefits for all three groups. Also it has been found that all are better safeguarded if each of the three groups is made up of a large number of individuals.*

"Under this system the management must generate benefits for the members in all three groups, and has great freedom to do that. Legally, of course, the management is subject to the instructions of the investors of the risk capital—that is the common stockholders. Actually, members of this group leave the operation to the management, and, in case of disagreement, sell their stock and invest the proceeds in another company whose management they like better. Similarly, the individual employees and individual customers do not exert control over the management, but if they don't like its performance they go elsewhere. The managements, therefore, have great autonomy and freedom of action, but this turns out to be a freedom either to flourish or to wither away."

—RICHARD L. DAVIES,
President, Pennsalt International Corporation.

The Utility Show Must Go on

The hazard of major service breakdowns is insured against by building ample margins in plant—and also by "preventive maintenance."

By JAMES H. COLLINS*

In the early morning hours, a utility man woke with a yell, crying "No, no—not that!" It woke his frightened wife.

"What on earth is the matter?" she asked.

"Oh! I dreamed that our Johnny was caught in one of those T-25 transformer windings, and I couldn't get him out. Thank God, next week we will have the last of them out."

Any utility fellow who designs plant, operates it, finds the money to finance it, has this kind of nightmare hanging over him pretty steadily—the fear that the unexpected will happen, and catch him unprepared for a major breakdown in his service.

From year to year millions of dollars of added investments are made by utility companies in equipment, personnel training, and other safeguards that amount to break-down insurance, which would not be needed in other kinds of business.

When company comptrollers are asked to separate this break-down investment from that made necessary by normal growth, they find it difficult to say of a particular dollar, or piece of equipment: "If we were making dog biscuit, and could store some of our product against emergencies, that investment would have been unnecessary."

But it is the nature of the utility business that when the customers want to light up, or cook, or talk, or take a ride, they want to do it right then, and generally all together, and the service must be available at the moment.

So, management pores over such dry things as the trends of population, new factories, industrial production, new inventions, changes in all sorts of equipment, consumer demand for service, and endeavors to design plant that will take care of tomorrow, and make everything work with everything else as far as possible, and provide the necessary cushion that will be needed if the worst comes to the worst.

That may never happen!

*Business editor and author, Hollywood, California.

But it can happen for twenty-four hours every fifteen years.

So management carries break-down insurance of two types.

First. It builds against it, providing ample plant. For want of a nail the horse was lost, so let there be two or three nails.

Second. Preventive maintenance, a more recently developed technique by which existing plant is buttressed in operation, to discover small hazards that can snowball into breakdowns, and eliminate them while they are small.

HERE is an example of building ahead, with a snappy comeback for management:

For a dozen years, television has been just around the corner, but coy—maybe the same corner as Prosperity during the 1930's. There was no doubt about its tremendous popular appeal, but for one reason and another it lagged.

For the broadcasting and the reception a different kind of money would be needed, and who was going to provide it, and if there was broadcasting the recipients would be few, and if you bought a set what could you see?

Then suddenly this marvel came around the corner last year, and in Los Angeles there were seven stations, with programs from noon to midnight, where before there had been only a couple doing a limited amount of experimental work. Sales of sets rose to thousands monthly. San Francisco and Salt Lake City each had two stations; Seattle and San Diego each one. At the moment others are building or projected; sets are now selling in Los Angeles at the rate of 15,000 monthly, and as the commercial pattern of television emerges, there will be more stations and greater audiences.

WHICH all prompts a question: "When are we going to get network programs?" The prospective set purchaser wants to know price, size of picture, reception in his neighborhood, but most of all he wants to know about network programs, which in radio make up so large a part of his entertainment.

And there is a popular notion that programs from New York and Hollywood will come when the telephone company builds lines—these coaxial cables about which he has been reading, and, more recently, the microwave communication by which the programs are bounced off the hills, or something like that.

"Tell us when we will get some orders from TV broadcasters for intercity transmission," retort the telephone engineers, "and we will tell you when you can have network programs. It will be about a year after we get an order. Coaxial cable to New York is already in place, coaxial and microwave connections are being built between western cities. We do not originate programs, but simply carry them for customers. A year after we get a customer we will be carrying television. It's strictly up to the broadcasters."

These coaxial and microwave facilities are being built, or were built, to provide additional long-distance telephone service. By designing ample plant for normal growth, the telephone engineers have built in the marginal facilities that will take care of television—when, if, as.

It probably won't be long now.

ANOTHER example of building plant for what may come is found in the expansion of the Southern California gas companies.

Breakdown hangs over the head of the Los Angeles gas plant designer chiefly in the form of freezing weather. Other emergencies like a heavy earthquake might break supply mains, but compared with the weather these are lesser hazards. Gas plant design in this area is tied to the thermometer. Freezing weather—from 30 down to around 20 degrees—may come only once, for a day or two, in a dozen years. But it costs millions in stand-by gas plant which would not be needed if the load was always normal.

In 1937, the area had its first freeze in fifteen years. Gas engineers had provided a cushion by contracts with industrial customers by which their fuel could be cut off if the domestic load became heavy enough. And it worked very well. Domestic load made a record for that day—450,000,000 cubic feet burnt on the coldest day.

That set the engineers thinking ahead, and they estimated 600,000,000 feet as the next probable emergency load. State utility commission engineers figured it higher, but there was no war in sight, and this forecasting was based on the population curve.

Two large underground storages were provided, Goleta and Playa del Rey, exhausted oil fields that were tight. They were hardly ready, still filling, when war set new sights. It was estimated that a freeze then, with war production, might call for 750,000,000 feet, and, if there were shutoffs, they would now be in reverse—the war plants must be kept going, and some of the domestic customers would have to get along with reduced supplies, maybe none at all, for the two or three days of such an emergency.

Fortunately, there was no freeze during the war.

It had been expected that at war's end the industrial load would shrink, as war plants closed down. But these plants were mostly converted to peacetime industry, and there was no decrease. The war peak needed in a freeze would undoubtedly be needed postwar. More gas must be provided.

At a cost of $70,000,000 a 1,200-mile pipeline was built to the Texas oil fields, to bring in an added 175,000,000 feet daily. With the underground storages, and larger pipelines to California oil fields, that surely looked like enough. The weather stayed above freezing, though terribly dry.

THEN came January, 1949. On the fourth and the tenth the weatherman threw the book at sunny southern California. The oranges froze, the kids played snowball in Hollywood, and everybody burnt gas.

There were two peaks in that emergency, instead of the usual one cold day. On the fourth consumption rose to 917,000,000 feet, and on the tenth and eleventh, in twenty-four hours,

¶ "TUCKED *away in utility balance sheets, and physical plants, are countless small items of investment, and costs, that are chargeable more to break-down insurance than to normal operation, though it is hard to put a price on them.*"

more than a billion feet were consumed.

Moreover, through December the weather had been cold, and the daily load fell below 600,000,000 feet on only one day, and on some days it passed 750,000,000 feet.

Where the gas came from to supply everybody—industrial customers were not cut off—gives a glimpse into breakdown engineering and plant investment:

	Mcf.
Goleta underground storage	250
Playa del Rey underground storage ..	55
Texas pipeline	220
Regular flow from California oil fields	475
	1,000

Thus, more than 30 per cent came from the underground reserves maintained solely for such emergencies, in days about a 1 to 5,000 shot.

ADDITIONAL reserve had also been built into the Texas pipeline. It supplied an extra flow over original capacity amounting to nearly as much as Playa del Rey. It could have supplied more. Last January it was capable of 305,000,000 feet daily, and soon it will go to 405,000,000 feet.

This increase is due largely to a great compression plant that the companies (Southern California and Southern Counties) have built in the desert, near Blythe, California, and the Colorado river pipe-line crossing. This plan receives gas at 480 pounds pressure, measures it, washes out pipe scale and dirt picked up on its long journey through the 30-inch main from Texas, compresses it to 807 pounds, cools it, and turns it into consumer mains.

Thus, in a few years, the companies have added capacity from this source nearly equal to the 1937 peak demand.

TUCKED away in utility balance sheets, and physical plants, are countless small items of investment, and costs, that are chargeable more to break-down insurance than to normal operation, though it is hard to put a price on them.

Out along the great open spaces nowadays, where men not infrequently die of thirst, comes the gyro patrol, milling along power, communication, and fuel lines, scaring the jack rabbits, the modern replacement for the jeep of yesterday, and the lone horseman of the day before that.

Heading off minor breakdowns which could add up to majors.

Stand-by equipment, radio communication, standardized tools and techniques—in a dog biscuit bakery they would not be needed. In utility service they often stand idle for years, but pay off handsomely when the emergency comes. The customers never hear about them. Indeed, if they discovered them in a balance sheet, there would probably be the suggestion that they be scrapped, and the investment used to lower rates. Which happens right along when the customers discover that utility companies carry good reserves against emergencies. New inventions are studied for possible use in breakdown insurance.

Even moon rockets might have some possibility.

THOSE are the precautions of the engineer and comptroller. A different attack, more recently developed, is "preventive maintenance," the operating executive's insurance policy against breakdown.

This is a sort of statistical protection, and keeps records of the smallest

Preventive Maintenance Like Prophylactic Medicine

"PREVENTIVE maintenance is based on the doctor's diagnosis, by which he puts the patient under observation for as long as needed to let his malady tell what is wrong. Nothing is too insignificant to be noted and studied—big machines have little maladies, shortcomings will creep into the most advanced plant and equipment designs, the insignificant aches and pains of transformers, motors, or compressors disclose patterns that give improved performance in present plant, and point to better specifications for the plant of tomorrow."

happenings, and does something about it when they disclose a pattern.

"We never repair a motorbus," say operating executives of the Los Angeles Transit Lines. "If something goes haywire in three busses, we rebuild the whole fleet."

This is preventive maintenance as practiced by the Fitzgeralds, who grew up with busses, and have advanced maintenance techniques for transit properties over the country.

Their system starts with "hobo" repairmen, who roam over the system, check busses at terminals, locate and correct small troubles, show drivers how to deal with simple "bugs," such as hard starting and slack brakes. With standard reports that executives can study, for patterns.

Every thousand miles each bus goes into the shops, willy-nilly, for a thorough inspection and overhauling, with complete reports to disclose patterns.

But this work is mostly done at night. There are seldom more than a half-dozen busses in the shops simultaneously. They are seldom there more than a day. Money is earned by busses only when they are running. The whole procedure is organized on keeping them in service.

A good many bus troubles center in engines. The Fitzgerald way is to spend all the time needed to adjust an engine, until it is in good order. For that purpose, the engine is taken out, a repaired one put in, and the bus rolls.

There are engine techniques that shorten shop time. Diesels smoke because their delicate injectors get clogged. The injectors are cleaned in an air-conditioned room, and kept in oil, until wanted.

EXAMPLE of patterns disclosed by the statistical method: Fuel lines in a particular type of gasoline bus

failed because they would not stand up under engine vibration. An occasional failure of this kind, unreported, might have been accepted as accidental. Reports showed that it was a basic shortcoming in design. The whole fleet was rebuilt to strengthen the fuel lines.

Weakness near bus doors began to be reported after a hundred thousand miles. This was caused by loosening of rivets. More and heavier rivets were installed in the whole fleet.

Shop time in replacing engines ran into considerable money, due to making numerous wire connections. Records showed a pattern, and this time was cut down by developing a simple push-in gadget that made all those connections.

In the shops, work is organized so that crews inspect, adjust, and repair special things, one crew on tires, another on brakes, another on springs, and so forth. This saves time, and the work is thorough. The same system is used on streetcars, with roving inspectors checking trolleys, frogs, and cars, but a streetcar is not so sensitive a thing as a bus, and it goes into the shops only after 20,000 miles.

THE classic way with maintenance, from beginnings of the modern mechanical world, was to repair when machinery failed. That was in a simple mechanical world, when machinery was not complex, nor very large, nor did it run to thousands of units.

This is a different world. A large oil refinery nowadays will have four or five thousand pumps alone, of reciprocating and centrifugal types, and of many different ages and capacities, and will need fifty different lubricating manuals alone, with trained personnel, and distinct understandings as to who oils and greases what, and when.

As things got more complicated, periodic inspection, repair, and replacement were developed, which reduced breakdowns, but proved expensive in labor and parts—the work was often done before it was needed, equipment was taken out of service, maybe torn completely down and rebuilt. That reduced the number of failures in operation, but costs made it necessary to develop still another method, which is preventive maintenance as practiced today, in general industry as well as utility organizations.

PREVENTIVE maintenance is based on the doctor's diagnosis, by which he puts the patient under observation for as long as needed to let his malady tell what is wrong. Nothing is too insignificant to be noted and studied—big machines have little maladies, shortcomings will creep into the most advanced plant and equipment designs, the insignificant aches and pains of transformers, motors, or compressors disclose patterns that give improved performance in present plant, and point to better specifications for the plant of tomorrow.

The medical comparison is not farfetched. Equipment is of many types, corresponding to the fat, lean, husky, and delicate human constitutions. It is of all ages. It has seen all kinds of service, under heat, cold, damp, aridity, and other conditions.

There is no such thing as a perfect human body, everybody lives under some kind of handicap, and men and women with the heaviest handicaps often do the best work.

So with utility equipment, and pre-

ventive maintenance is set up accordingly. The "doctor" has to be a resourceful engineer, observing symptoms, the important ones, mostly through the eyes of his "internes" and "nurses," the maintenance organization, and interpreting them to help the "patient" offset particular handicaps. The maintenance force takes a step up in intelligence and initiative—is made up no longer of unskilled workers with an oil can or a wrench, but composed of selected people, trained to keep plant running, make quick repairs, and comprehensive reports, heading off future trouble, large and small.

It all adds up to another kind of insurance against major breakdowns.

California's Fuel Supply

"It is not true that this state is or need ever be dependent upon the development of additional hydroelectric power for its future power supply. We have an ample fuel supply, both oil and gas, at the present time, and an unlimited supply of coal from Utah for the indefinite future. All that is required for the development of power is the fuel supply and the necessary machinery for the conversion of that fuel supply into electric energy. Furthermore, in the matter of cost, there is a fuel supply of such magnitude that steam-generated power can continue to compete on favorable terms with the cost of undeveloped hydro power. . . .

"Another fact which should be clearly understood by the public is that power supply is not limited, as is water supply, in California. Electric energy can be and is produced equally well from the energy in steam or falling water. Very large areas of the United States and other territories of the world, where hydroelectric power is not available, have an ample supply of electricity produced from steam. We in California use steam plants for very substantial proportions of our electric supply. There is therefore no limitation on the supply of power unless there is a limitation on the fuel supply. For all practical purposes, the fuel supply available to us in California is unlimited. Not only do we presently have a surplus supply of fuel oil in California, but there is no reason why we should not continue to have such a supply for a very long period in the future. Even assuming that locally produced fuel oil does reach a point of scarcity at some time in the next half century, which is possible, the importation of fuel oil from other areas, either by ship or by pipeline, is not prohibitive in cost; and, finally, back of the oil and gas supply there is an unlimited supply of coal in the United States, one of the untapped sources of which is in the near-by states of Utah and New Mexico, where there is a supply sufficient for the entire western part of the United States for a millennium or more. I repeat: Power supply is no more limited than is fuel supply, and fuel supply, for all practical purposes, is unlimited."

—William C. Mullendore,
President, Southern California Edison Company.

What's in a Name?

PART III

A further account of the origin of names given to plant buildings and structural works of public utility companies.

By J. LOUIS DONNELLY*

THE naming of power plants after individuals is not a general practice. Some companies are opposed and others prefer to follow the policy of identifying their stations according to locality. A few continue to use letters or numbers.

"I am not at all sympathetic to the idea of naming plants and installations for people," states George A. Davis, president of Oklahoma Gas & Electric Company. "I was favorable to this idea some years ago but I have changed my mind in the light of experience."

Another critic is J. E. Cunningham, president of Southwestern Public Service Company. "We have one plant so named which we purchased from a predecessor company," says Cunningham, "but have not followed the practice ourselves because such names give no indication of location."

Approximately twenty years ago, Oklahoma Gas & Electric honored a former president and also a manager of its northern division by naming plants in their memory. Outside of a few old-timers, no one anywhere in our properties has the slightest idea as to whom these men were, asserts Mr. Davis. "There is no desire on our part not to recognize the value of such men, nor to minimize their contributions to our industry. They both were great assets in the building of our company."

"PROBABLY the name most indelibly written on our company was that of J. F. Owens, who preceded me as president, and who was a great man in many ways—civic worker, executive, public speaker, and sound thinker. We might have named the new Mustang plant, which we are now building 10 miles west of Oklahoma City, for Mr. Owens. But everybody knew him as

*For personal note, see "Pages with the Editors."

'Jack' Owens and there are at least ten 'Jack Owenses' in this immediate vicinity, one of them a large advertiser who is in the grocery business, and another who is in the pressing and cleaning business and always gets in the newspapers and billboards. You can see the complications. Mr. Owens passed on more than seven years ago; he was a pioneer here but our town has quadrupled in population since he first came here and there are very few people indeed who remember him.

"If anybody wants to name a plant in honor of some individual in a company, that is quite all right, and perhaps we are too young and too new in making history down here to want to honor individuals by naming plants for them. But I am convinced, and my associates agree, that the advantages are not in favor of naming our plants for individuals but rather for reasons of geography and of staying on the side of the practical by using short names that are easily acquired in conversation and on maps and records."

Abuses of the practice are rare but have been uncovered in this industry survey. One company official tells of a recent case where a plant was named in honor of one of the officers of a certain company because they did not promote him or give him a substantial increase in pay before he retired.

Numerous arguments have been advanced in favor of name of plants.

D. Hiden Ramsey, general manager of the Asheville Citizen-Times Publishing Company, as the principal speaker at the September 9, 1947, dedication of the Walters hydroelectric plant of Carolina Power & Light, discussed this point.

A town called Waterville sprang up as the result of the location at the site of the big hydro installation which was placed in operation in 1930.

"Hithertofore, this plant has borne the singularly inappropriate name of Waterville," Ramsey told the gathering at the commemorative ceremony. "There is, to be sure, much water here but you will look in vain for the ville. There will probably never be a ville here. The work of this plant lies elsewhere—in scores of communities throughout this region.

"Henceforth it will bear an appropriate and honored name. Most of us, however, will not be satisfied to call it the Walters hydroelectric plant. We will wish to speak of it as the Charlie Walters plant; that is to say, we will speak of it in that more intimate way if we happen to be among his contemporaries in point of time. The younger people will, I suspect, call it Uncle Charlie Walters plant, for to hundreds of the younger citizens of Asheville and of western North Carolina he is Uncle Charlie. That title of uncle is not so much a commentary on his age as on his avuncular traits."

On October 27, 1948, Rochester Gas & Electric Corporation dedicated its new $27,000,000 generating plant on Lake Ontario near the mouth of the Genesee river as Russell station, in honor of Herman Russell, company president for many years and now chairman.

Other and older plants of Rochester Gas & Electric are known only by numbers and, up to the dedication, the new plant carried the working title of "Station No. 7."

"Numbers are cold and uninspir-

ing," said Edward G. Miner, chairman of the utility's executive committee in the dedicatory address. "They are mere factual marks of identity and into this new station has gone much more than mechanical construction. Into it has gone the idea of greater good to the people it is destined to serve; into it have gone the vision, the warmth, and the heart of the man whose name it should bear—Herman Russell."

It was disclosed by the speaker that Russell objected to the naming of the station in his honor but that he was outvoted by his fellow directors and overruled by his fellow workers, who were the first to suggest that the new plant be called the Russell station.

Unlike many other utility company executives, Russell came East. He was born in Michigan and was graduated from the University of Michigan in 1898. Two years later he won the first scholarship offered by the Michigan Gas Association. He was associated with utilities in Detroit, San Francisco, and Cincinnati before going with Rochester Gas & Electric in 1905. He advanced steadily with this company and became its president in 1929. He was named chairman in 1947.

THE survey made by this writer shows that there are 35 companies in the electric industry with 90 name plants. A list of these plants, with brief details of each individual so honored, follows:

Alabama Power

GORGAS steam plants (formerly Warrior reserve steam plant). Consists of two plants. Gorgas No. 1 was placed in service in 1917 with additional units added in 1917, 1918, and 1924, and has a total rated capacity of 70,000 kilowatts. Gorgas No. 2 was first built in 1929 with a second unit added in 1944 and has a total capacity of 120,000 kilowatts. A third unit of 100,000 kilowatts is scheduled for operation in 1951. Dedicated to William Crawford Gorgas, Major General, U. S. A.

Jordan dam (formerly Lock 18). Installation of four units with a total capacity of 100,000 kilowatts was completed in 1928. Designated as Jordan dam to commemorate the service in the electric industry of Reuben Alexander Mitchell and Sidney Zollicoffer Mitchell, sons of Elmira Sophia Jordan Mitchell. Located on the Coosa river.

Lay dam (formerly Lock 12). Named in honor of William Patrick Lay, founder and first president of Alabama Power Company. Located on the Coosa river. The first unit was installed in 1914 and subsequent units in 1916 and 1921 with the first unit replaced in 1945. Total rated capacity is 81,000 kilowatts. Dedicated November 23, 1929.

Martin dam (formerly Cherokee Bluffs). Dedicated October 16, 1936, in honor of Thomas Wesley Martin,

¶ "THE *naming of power plants after individuals is not a general practice. Some companies are opposed and others prefer to follow the policy of identifying their stations according to locality. A few continue to use letters or numbers.*"

president of the company. Martin was president of Commonwealth & Southern Corporation until June, 1932. This plant of three units was completed in 1926 with a capacity of 99,000 kilowatts.

Mitchell dam (formerly Duncan's Riffle). This run-of-the-river plant was completed in 1923 with three units having a total capacity of 52,500 kilowatts. A fourth unit is now under construction and will be completed this fall, increasing capacity to 60,000 kilowatts. Plant was dedicated in December, 1921, in honor of James Mitchell, president of the Alabama Power Company.

THURLOW dam (formerly Lower Tallassee). Dedicated October 28, 1939, in recognition of Oscar Gowen Thurlow, chief engineer. This plant has two 25,000-kilowatt units and is located on the Tallapoosa river. Mr. Thurlow was prominent as an engineer not only in Alabama but in other sections of the world. During World War I he served the government as consulting engineer in the Wilson dam development. In 1930, the state of New York appointed him as one of four members of the engineering board of the St. Lawrence Power Development Commission.

Yates dam (formerly Upper Tallassee). Dedicated June 28, 1947, in honor of Eugene Adams Yates, now president of the Southern Company and a vice president and director of Alabama Power. This plant was completed in 1928 with two units totaling 32,000 kilowatts of capacity. The dam stands at the site of the old Montgomery plant, the first hydroelectric plant erected in Alabama in 1902.

American Gas & Electric

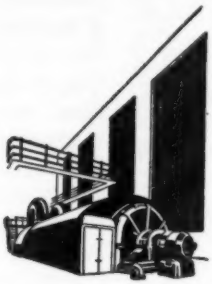
CLAYTOR plant. Dedicated August 17, 1939, in honor of Graham Claytor, operating vice president of American Gas & Electric. This hydroelectric development is located on the New river in Virginia and has a capacity of 75,000 kilowatts.

Philip Sporn plant. Still under construction but will get into operation later this year when formal ceremonies are scheduled. This new plant will honor the president of American Gas & Electric who has been with the company since 1920. Sporn has achieved world-wide recognition in the electrical engineering field. The new plant, located at New Haven, West Virginia, will consist of four units, each of 137,500-kilowatt capacity. The first was scheduled to go on the line October 15, 1949, the second in June, 1950, the third in March, 1952, and the fourth in July of 1952.

George N. Tidd plant. Located at Brilliant, Ohio. The Tidd plant has never been formally dedicated. Completed in 1945 it had a capacity of 110,000 kilowatts. An additional 100,000-kilowatt unit is being constructed. Tidd was president of American Gas & Electric from 1923 until 1945, being one of the founders of this holding company system.

Arkansas Power & Light

HARVEY C. COUCH plant. On July 16, 1943, Arkansas Power & Light Company dedicated its $3,000,000 steam-electric plant at Stamps, Arkansas, in memory of Harvey C. Couch, founder of the company. In addition, Couch founded the Mississippi Power & Light Company and



A Mixed Practice in Naming

"On October 27, 1948, Rochester Gas & Electric Corporation dedicated its new $27,000,000 generating plant on Lake Ontario near the mouth of the Genesee river as Russell station, in honor of Herman Russell, company president for many years and now chairman. Other and older plants of Rochester Gas & Electric are known only by numbers and, up to the dedication, the new plant carried the working title of 'Station No. 7.'"

Louisiana Power & Light Company. These three utilities, together with New Orleans Public Service Company, form the Middle South Utilities System. People in Arkansas describe Mr. Couch as the Southwest's "Master Builder."

The Couch station has a name-plate rating of 30,000 kilowatts.

Cecil Lynch station. Located near Little Rock, this is the largest plant in the Arkansas Power & Light system. It was recently increased to 100,000-kilowatt capacity. Since 1919, a close associate of the late Mr. Couch, Cecil Shannon Lynch, is now honorary vice president (retired) of the company, but is retained in an active capacity as chairman of the Southwest power pool. This plant was dedicated May 30, 1947. Present were officers of this company and of its parent company, Electric Power & Light Corporation, now Middle South Utilities System, Inc., as well as various public officials headed by Governor Ben Laney of Arkansas.

Carpenter dam. Four miles south of Hot Springs stands the 28,000-kilowatt hydroelectric installation completed in 1931. It is named for the late Captain Flave Carpenter. An old steamboat captain, Carpenter was the man who interested Harvey Couch in development of hydro power on the Ouachita river. Lake Hamilton, formed by Carpenter dam, was named for C. Hamilton Moses, then the general counsel for Arkansas Power & Light and now its president.

Remmel dam. First hydro plant to be built on the Ouachita river, located near Malvern, was named Remmel dam for the late Colonel Harmon L. Remmel. Capacity is 9,300 kilowatts.

Carolina Power & Light

TILLERY station. Dedicated December 9, 1933, in honor of Paul Allen Tillery, president, who died January 14, 1933. Tillery was associated with Carolina Power & Light since January 1, 1910, when he became the company's chief engineer. Located on the Pee Dee river, 4 miles west of Mt. Gilead, North Carolina, this plant was previously known as the Norwood Hydro-Electric Development. Completed in 1928, Tillery station has a capacity of 60,000 kilowatts.

Walters hydroelectric plant. Named after Charles S. Walters, who is still serving as a director, vice president, and manager of the company's western division. This plant, dedicated January 9, 1947, went into operation on July 1, 1930, as the Waterville station. With a total installed capacity of 145,000 horsepower, it is the largest generating plant on the Carolina Power & Light system. It is located on the Pigeon river at Waterville, North Carolina, 35 miles northeast of Asheville.

Central Illinois Light

R. S. WALLACE station (formerly East Aurora station). At the time of the retirement of Ross Strawn Wallace from active work in 1948, the board of directors renamed the East Peoria station the R. S. Wallace station in recognition of his guidance and leadership in the company. In 1899, Wallace became associated with one of the predecessor companies of Central Illinois Light Company, as chief engineer of the Liberty Street station. In 1936 he became president of the company and in 1943 was elected chairman, which position he held throughout the remainder of his active service. Wallace's other activities included membership in the American Society of Mechanical Engineers, life member of the American Institute of Electrical Engineers, director of Commonwealth & Southern Corporation, and president of the board of trustees of Bradley University. The R. S. Wallace station was completed in 1925 with a capacity of 46,400 kilowatts. Its present rated capacity is 141,400 kilowatts and equipment is on order for a future extension of 60,000 kilowatts.

Central Maine Power

MASON station. Located at Wiscasset, Maine, this 40,000-kilowatt station was named in honor of the late Frank H. Mason. In 1907 Mason became affiliated with Central Maine Power Company. He was named chief engineer and at the formation of New England Public Service Company became its chief engineer. During his forty-one years of service, construction of many steam and hydro-generating plants that marked this company's rapid expansion was carried out under his supervision. Mason station was the largest steam plant to be built for the company and was named in honor of the supervising engineer who died December 17, 1948. It was placed in operation January 6, 1942.

Skelton station. This new station, located at Dayton, Maine, on the Saco river, was dedicated June 8, 1949, in honor of William B. Skelton, chairman of the board of directors of Central Maine Power Company and president of New England Public Service Company. It is the company's third

largest hydroelectric plant, rated at 16,000 kilowatts, and replaces a former 650-kilowatt station built in 1912 by the Clark Power Company. The first unit was placed on the line December 30, 1948, and the second March 18, 1949.

Williams station. Rated at 7,000 kilowatts and placed in operation July 27, 1939, this station was named in honor of George S. Williams, executive vice president of Central Maine Power. The plant, which is currently being enlarged, is located on the Kennebec river at Embden, Maine. Williams began his association with utilities in Maine in 1903, serving as district superintendent of the Kennebec Light & Heat Company until 1917 when the property became a part of Central Maine Power. In 1917 he became general superintendent at Augusta and throughout his years of service has been vice president and general manager, director, and now holds the position of executive vice president. Williams is active in various civic organizations and is president of the board of trustees of the University of Maine.

WYMAN station. This largest hydroelectric plant of Central Maine Power and second largest in New England was named in honor of the late Walter S. Wyman who at the time of his death in 1942 was president of Central Maine Power. The plant, located at Bingham, Maine, on the Kennebec river, was placed in operation December 28, 1930. It is rated at 72,000 kilowatts.

Consumers Power

B. C. COBB plant. The first two 60,000 units of this new plant went into service in November and December of 1948. The third is scheduled to be completed in 1950. This station, located on Muskegon lake at Muskegon, Michigan, was dedicated April 28, 1949. Named in honor of Bernard C. Cobb, a pioneer in the utility field. On the organization of Allied Power & Light Corporation in 1928, he became its chairman and subsequently president of Commonwealth Power Corporation. In 1929 both firms were merged into Commonwealth & Southern Corporation, with Cobb as chairman. Consumers Power is a major subsidiary of this group.

Foote dam. On the Au Sable river, was named in honor of William A. Foote, principal founder of Consumers Power Company. Foote dam was built in 1918 and has a capacity of 9,000 kilowatts. Foote and his brother, J. B. Foote, established a small company in Jackson, Michigan, in 1886, which grew into Consumers Power Company. Foote died in 1915. This was the first dam named after a man prominent in this company.

Hardy dam. Named in honor of George E. Hardy, a director of Con-

¶ "FOUR *miles south of Hot Springs stands the 28,000-kilowatt hydroelectric installation completed in 1931. It is named for the late Captain Flave Carpenter. An old steamboat captain, Carpenter was the man who interested Harvey Couch in development of hydro power on the Ouachita river.*"

sumers Power who died June 30, 1949. He was a former vice president and director of Consumers Power Company. Hardy dam is Consumer's biggest hydroelectric development with a capacity of 30,000 kilowatts. It was completed in 1931.

Hodenpyl dam. Named after Anton G. H. Hodenpyl who with George Hardy formed Hodenpyl-Hardy Company, which developed into Commonwealth & Southern. Hodenpyl dam was built in 1925 and has a capacity of 18,000 kilowatts.

C. W. Tippy hydroelectric plant. Originally called Junction dam, it was renamed after the death of Charles W. Tippy in 1933. Tippy had been vice president and general manager of the company since 1914. He previously had been employed by gas companies in Grand Rapids, Detroit, Fulton, and Rochester, New York. This dam is on the Manistee river and has a capacity of 23,000 kilowatts.

Bryce E. Morrow plant. Located on the Kalamazoo river, was named in honor of Bryce E. Morrow. Morrow was an early associate of Thomas Edison. He came to Consumers in the early days of the industry, and at the time of his death in 1936 was chief engineer and manager of electric production and distribution. He took a leading part in the development of the company, particularly in the establishment of the interconnected system with central dispatching. His service began in 1915. The Morrow plant was dedicated November 9, 1939, with the late Wendell L. Willkie, then chairman of Consumers Power, as principal speaker.

Including a second unit added in 1941, this plant has a capacity of 120,000 kilowatts.

John C. Weadock plant. Named in honor of John C. Weadock who was admitted to the bar in the Michigan county of Bay in 1883, and "whose legal work incorporated this company in 1910 and organized it as a statewide utility in 1915, and whose wise counsel and fidelity of purpose have builded for it an enduring foundation." The quotation is from a plaque in the entrance lobby. Weadock is now in his late eighties. The Weadock plant, located on Saginaw bay, at the mouth of the Saginaw river, was dedicated June 20, 1940, with Mr. Willkie as principal speaker. Weadock took part in the ceremonies. The Weadock plant will be Consumers largest with a capacity of 290,000 kilowatts when units 5 and 6, now under construction, are completed.

Webber dam. First of Consumers Power dams to be named after an individual. It carries the name of a banker in Portland, Michigan, who handled some of the work of land purchase.

It was built in 1907 and has a capacity of 3,000 kilowatts.

Connecticut River Power

Comerford station. On September 30, 1930, the largest hydro plant of the New England Electric System was dedicated by the late Frank D. Comerford, then president of the New England Power Company. At that time the development was known as Fifteen Mile Falls plant. In 1934, a bronze tablet was set in place commemorating the name and achievements of Comerford in behalf of the

An Argument against Name Plants

"'I AM not at all sympathetic to the idea of naming plants and installations for people,' states George A. Davis, president of Oklahoma Gas & Electric Company. 'I was favorable to this idea some years ago but I have changed my mind in the light of experience.' . . . Approximately twenty years ago, Oklahoma Gas & Electric honored a former president and also a manager of its northern division by naming plants in their memory. Outside of a few old-timers, no one anywhere in our properties has the slightest idea as to whom these men were, asserts Mr. Davis."

power system and the plant is now known as the Comerford station. The inscription reads: "Connecticut River Power Company COMERFORD STATION, 216,000-horsepower hydroelectric plant at the foot of Fifteen Mile Falls on the Connecticut river. Construction began August, 1928; station dedicated and placed in operation September 30, 1930. By vote of the board of directors named in honor of Frank D. Comerford, president of Connecticut River Power Company and New England Power Association."

Dayton Power & Light

O. H. HUTCHINGS station. Dedicated July 12, 1948, in honor of Orie H. Hutchings in the fifty-seventh year of his service with Dayton Power & Light Company. Hutchings died shortly thereafter on July 30, 1948. In 1913 he was made general superintendent, and in 1916 was elected a director.

In 1921 he was made vice president and associate general manager, Hutchings relinquished his managerial responsibilities in 1935 but continued active as vice president. This 120,000-kilowatt plant is located south of Miamisburg, Ohio.

Frank M. Tait station. This plant was first operated in 1921 as the Millers Ford station. During later years additional units were installed with the eighth in 1944, increasing capacity to 210,000 kilowatts. Located south of Dayton, this plant was renamed in December of 1946 "in recognition of the loyal, efficient, and faithful service, keen foresight, and optimism of Mr. Frank M. Tait." Tait directed the affairs of Dayton Power & Light from 1905 until 1946 when he became chairman.

Duke Power

BUCK station. This steam station was named for the late James Buchanan Duke, tobacco industrialist and founder, in 1904, of the Duke Power Company which serves the Piedmont section in North and South Carolina. The name "Buck," by which Duke was often called from boyhood, derives from his middle name. Completion of the plant was celebrated at Salisbury, North Carolina, on October 29, 1926, when the first unit of 73,000 kilowatts was installed. A second unit of 80,000 kilowatts was added in 1941 and a third of 40,000 in 1942.

Plant Lee. Under construction since 1949 and scheduled to be completed during 1950, this new station is located at Anderson, South Carolina. The plant will bear the name of William States Lee, a native of Anderson and associate of Duke in the organization and development of the Duke Power system. Lee was internationally known as a pioneer in hydroelectric engineering, and the development of the Catawba river has long been regarded as an engineering model. It is expected that Plant Lee will be dedicated with public ceremonies on completion.

Duquesne Light

PHILLIPS power station. Dedicated January 1, 1943, in honor of Frank R. Phillips "who by his vision, inspiration, and leadership fostered the growth and development of electric service to the need of community and nation." Phillips first became associated with the group of companies forming the Philadelphia Company in 1909. In 1926 he was made vice president and general manager of Duquesne Light Company. In 1929 he became senior vice president of Philadelphia Company and in 1931 was named its president as well as of all subsidiaries. In 1942 he was named board chairman. Phillips was to have taken part in the dedication but died October 23, 1942, following an operation. One of the few power stations installed during World War II, the first unit had a capacity of 60,000 kilowatts. It is located on the Ohio river near Pittsburgh.

Reed power station. Dedicated October 16, 1930, in honor of Judge James H. Reed, who organized the public utilities of Pittsburgh which are grouped under the Philadelphia Company, of which he was president from February 16, 1899, to January 22, 1919. He was also vice president of Duquesne Light Company from February 1, 1913, to January 22, 1919, and senior vice president until his death June 17, 1927. The dedicatory address was made by his son, United States Senator David A. Reed. The Senator had broken ground for this power station two years earlier on October 30, 1928. The station is located on Brunot Island about one mile and a half below the point at Pittsburgh. It has since been enlarged to a capacity of 600,000 kilowatts.

Florida Power

G. E. TURNER plant (formerly the Benson Springs power plant). Formal dedication ceremonies were held July 18, 1947, at which time the generating station was renamed the George E. Turner plant. W. J. Clapp, production superintendent, acted as master of ceremonies, introducing A. W. Higgins, president, who unveiled a bronze plaque officially naming the plant for the former production super-

intendent. Located on Lake Munroe, near Deland, Florida, and first built in 1926, this plant was expanded in 1948 to a capacity of 37,500 kilowatts. Better known as "Uncle George," Turner has been associated with the electric power industry since 1903. He joined Florida Public Service Company in 1925 to build the plant which now bears his name. Later he became general manager and director of the company and in 1941 was promoted to production superintendent for Florida Power, Florida Public Service, and Georgia Power & Light Company. He retired from active service May 26, 1947.

Georgia Power

PLANT Arkwright. Named in honor of Preston Stanley Arkwright, chairman of Georgia Power Company since 1945 and previous to that time president of its predecessors, the Georgia Railway & Electric Company from 1902 to 1911, of Georgia Railway & Power Company from 1911 to 1927, and president of Georgia Power from the date of its formation in February, 1927. He died December 2, 1946. The first unit of this steam plant was placed in operation in June, 1941, and the fourth completed in 1948. Total capacity is 160,000 kilowatts. It is located in Bibb county, Georgia, on the Ocmulgee river, a few miles from Macon.

Plant Atkinson. Dedicated in honor of Henry Morrell Atkinson on October 17, 1930, when the first unit was placed in operation. Ten miles northwest of Atlanta, on the Cobb county side of the Chattahoochee river, this is the largest of the company's plants. Its fourth unit was completed in 1948 and total capacity is 60,000 kilowatts. Together with Preston S. Arkwright, Atkinson guided the expansion and growth of the enterprise to the present Georgia Power Company that serves nearly all of the state. He was the first chairman of the board of the company. Atkinson died on January 21, 1939.

PLANT Mitchell. Named for William E. Mitchell, former president of Georgia Power Company. Located near Albany, Georgia, this plant consists of two steam units, each 22,500 kilowatts, completed in November, 1948, and June, 1949. Dedication ceremonies are tentatively scheduled for the fall of 1949. Since the fall of 1948, Mitchell has been in Paris as the head of the industrial division of the ECA. Before joining the company as vice president and general manager in 1927, he was connected with Alabama Power Company over a 15-year period. In 1945, he was elected president of Georgia Power. His wide reputation was indicated by his selection by the War Department to head the utilities section of the U. S. Strategic Bombing Survey in 1945 to study the effects of bomb damage in Europe and Japan during World War II.

Plant Yates. A new plant, located near Newnan, Georgia, now under construction, consisting of two units of 100,000 kilowatts each, is scheduled for completion in 1950. This will be the largest plant in the Southern Company system. This will be the second installation to be named in honor of Eugene Adams Yates, president of the Southern Company.

The concluding part of this article will appear in the next issue of the FORTNIGHTLY.

Washington and the Utilities

Palace Politics

THE evident bewilderment of the usual omniscient newspaper editors throughout the land over the sudden resignation of Secretary of Interior Krug does not seem offhand to be much more pronounced than the puzzled reaction of the usually sagacious and articulate "Washington observers." One has only to skim over the variety of explanations, as to why Krug suddenly checked out of the Cabinet, to realize that many of these wise men are doing some educated guessing.

Even the usually polite tone of the letter of resignation and its acceptance by President Truman seem to stump the experts. Thus, the *St. Louis Post-Dispatch,* staunch defender of the Truman régime, especially in the field of public power development, brushed aside the politely written language in order to speculate on "the real causes veiled by this formality." At the same time *The Washington Post* (normally an ideological twin of its St. Louis namesake, on most political issues) naïvely suggests that the polite interchange of notes "dispels the impression that Mr. Krug's resignation was presented and accepted uncordially."

Glancing over a raft of other editorial comment, and columnists' chit-chat — some from sources not nearly so sympathetic with either the President or his public power or irrigation policy, or for that matter Mr. Krug—much seemed to be made over the fact that "Cap" Krug failed to get out and beat the bushes with appropriate zeal during the 1948 presidential campaign. It is pointed out that his successor, former Under Secretary Chapman, did the same with gusto and diligence.

BUT this generality is hard to reconcile with the well-known fact that former Secretary Krug did thump the tub for the Truman cause in the campaign of '48. He toured the West where the Secretary of Interior is supposed to have influence. He made speeches and he seemed to follow the party line pretty well. Nor is there any evidence of defection in any of these speeches on grounds of platform policy or politics.

This suggestion about lukewarm campaigning therefore boils down to quibbling over the degree of Krug's effectiveness as a campaigner. And since Mr. Krug never did set up to be a world beater, on the hustings, it is difficult to understand why any more was expected of him, especially at this late date.

Add to this the fact that Mr. Krug's efforts were no less zealous or outstanding than four or five other Cabinet members—who still have their chairs. Thus, the explanation that Mr. Krug was fired for pulling punches during a critical campaign, one year after it was over, fetches up pretty lamely. The other reason, commonly assigned by the editorial wise men (namely, irrigation lobbying behind Budget's back), holds more water—if the pun may be pardoned.

It was Senator Anderson (Democrat, New Mexico), who once sat in the same Cabinet with Krug, who told the press that "there's no question that Julius A. Krug was let out because he kept pressing for reclamation projects." Anderson ought to know, because it was one of Anderson's pet projects—the one in Vermejo, New Mexico — that got Cap Krug in hot water with the boss. This was the project which President Truman vetoed with a stinging message, calling attention to the fact that the Reclamation

Bureau had not checked with Agriculture and Army Engineers.

It was also reported to be the basis for an even more stinging letter which President Truman sent to Krug before his resignation, pointing out that Interior had gone over the head of the Budget Bureau in pressing for congressional action. Incidentally, this is probably the first time that "lobbying" on the part of a government agency was openly admitted and labeled as such. Lobbying has heretofore been a term reserved, in administration circles, almost exclusively for big business, the "power trust," etc.

But even here the complaint against Krug seems to be on the basis of doing what he promised to do on behalf of the administration in the 1948 campaign. Referring to Krug, Senator Anderson said on this point: "I would hate to see him crucified for asking for those things which in the 1948 campaign he said he stood for."

Maybe the answer lies in the way one goes about "asking" for such things and who does the asking. It is significant that one other irrigation project, for which Krug is reported to have been bawled out for lobbying through Congress, was approved by the President "with reluctance." This was the Weber basin project in Colorado. The basis for presidential criticism on this project was just the same, and just as strong, as in the case of the Vermejo project. But rumor has it that the Colorado development had more powerful friends in Congress—certain Senators who did a convincing fireman-save-my-child act to the White House, at the last minute. Certainly the distinction made by the President in his respective messages on both project bills is more impressive in its ingenuity than in its clarity or persuasiveness.

This leaves the real explanation of *l'affaire* Krug on the familiar and shadowy grounds of palace politics. Krug never was particularly adroit in the apple polishing department. The more obvious lightning bolts of interagency rivalry, which have been playing around the Department of Interior in recent months, are quite likely the reflection of throne room jealousies.

In other words, with the Reclamation Bureau, Army Engineers, the valley authority enthusiasts—and more recently, and quite influential at the moment, the Agriculture Department—all reaching for more control over the nation's river basin developments, it takes fast bureaucratic footwork for a department head even to stay where he is. In short, it would seem that while Cap Krug was a stout defender of the faith—from the Fair Deal viewpoint—he could not move quick enough to stay clear of the endless intrigues of the inner circle.

Fuel Groups Weigh U. S. "Yardstick" Threat

Some concern over the steady increase of natural gas sales at the expense of other fuels is being reflected in both the gas and oil industries. Various speakers at the recent annual convention of the Independent Natural Gas Association at Dallas, Texas, stressed the point that artificially low gas prices resulting from regulatory restriction might be pricing competitive fuels out of the market.

Early in November in Chicago, E. Holley Poe, natural gas consultant, told the American Petroleum Institute that the effect of natural gas sales on the kerosene and fuel oil business is "the greatest single invasion of any fuel market in history." Poe said this is "no bad dream which will pass," but rather real competition which will grow instead of diminish. He cited an increase of 97 per cent in market requirements for natural gas from 1939 to 1948, compared with 66 per cent for fuel oil.

It was an electric utility official who warned the oil men of impending public ownership moves toward the oil and gas industries. J. P. Thomas, president of the Texas Electric Company, told the institute that government moves toward the oil and gas industries "closely resemble those which started the electricity supply industry down the path towards

nationalization fifteen years ago." "Just as the Muscle Shoals steam plant grew to the governmentally financed, tax-free, politically managed Tennessee Valley Authority," Thomas stated, "so can the coastal shelves, the Alaskan reserves, and other governmental steps into the oil industry become great, governmentally financed, politically managed competing oil organizations," setting prices and calling the turn on the remainder of the tax-paying oil and gas industry.

What Next in Policy?

THE new Secretary of Interior, Oscar L. Chapman, was quick to assert that there would be no change in Interior Department policy on a number of controversial policy matters. This was hardly surprising news, as such pronouncements go. It would indeed have been surprising news, if he had said otherwise.

Sketching a 7-point program, Secretary Chapman said he was in favor of (1) a CVA; (2) Alaska and Hawaii statehood; (3) development of the West; (4) synthetic fuels, including shale oil; (5) salt water distillation; (6) western mineral development; (7) Federal mine safety laws.

But admitting the fact of Chapman's official blessing on a CVA, there were skeptical Washington observers who sensed a shade of equivocation in the way Chapman did it. He simply recalled that Interior Department as well as the administration had long been on record in favor of a Columbia Valley Administration. The cynics can recall more than that, however. Even former Secretary of Interior Ickes was "on record" for a Columbia Valley Administration—as long as it was beholden to the Interior Department, by way of appointment or other controls.

So when Secretary Chapman says there is "no change" in the department's attitude on this question, it is likely to cause a snicker among the *cognoscenti,* who know that, for these many months, Interior and bureau personnel at the lower levels, especially in the Pacific Northwest, have been busily knifing any idea of a truly independent CVA, meanwhile professing loyalty to the "authority principle."

Just the same, Reclamation Bureau may well regard the change in the guard at the top level of Interior as a rap on the knuckles, as far as future lobbying in Congress is concerned.

Whether the heads of some of the more eager beavers in the Reclamation Bureau will roll, remains to be seen. There is also some speculation on the Washington rialto that the Agriculture Department, now basking under the sunlight of presidential favor.

ONE may detect a note of caution in the recent address of Reclamation Commissioner Straus at the Salt Lake City convention of the National Reclamation Association. After praising the 81st Congress for making its record-breaking appropriation available for his bureau, Straus added: "We must remain careful administrators and not 'good time Charlies' who have hit the jack pot."

The fate of Assistant Secretary Davidson is another question mark. Earlier rumors had him taking over Chapman's place as Under Secretary. Later rumors have him resigning to run against Senator Morse of Oregon next year.

The recent explosion of the New England Democratic public power conference in Boston, largely promoted by Davidson, is still causing murmurs among the faithful.

Official reason for the rain check, now postdated January 15, 1950, was the sudden death of Democratic State Chairman James H. Vahey. Add to this the sudden resignation of Secretary Krug (who was to have presided) and the marriage trip of Vice President Barkley (who was to have keynoted), spiced with such ingredients as state party squabbling, a comical error in inviting Republican Senator Lodge, and some sour statistics on New England hydro possibilities put out by the administration. The result was bound to be an explosion.

Exchange Calls And Gossip

Company Wins Court Battle

SOUTHERN BELL TELEPHONE COMPANY, seeking more revenue through increased rates, won its battle in the Alabama Supreme Court last month. Just how much the utility will get, however, was undecided. The court instructed the state public service commission to approve a fair and reasonable rate structure.

Explaining its refusal to go along with any definite schedule of phone charges, the tribunal said rate-making authority belongs to the state commission and is not a judicial function.

A circuit judge, Walter B. Jones in Montgomery, granted the full $2,530,000 a year increase asked by Southern Bell after the state commission had sliced it to $360,000. The supreme court agreed with Judge Jones that the commission's order would not give the utility a fair return.

REA Phone Loans

TELEPHONE companies are reported to be showing considerable interest in obtaining loans under the new Rural Telephone Loan Act. Inquiries are said to be coming into the Rural Electrification Administration headquarters at the rate of 30 to 40 letters a day. Representatives of over 150 companies — chiefly small independents — had been heard from up to the end of last month. Some of these letters asked that REA consider them as applicants for loans.

The present disposition of REA is to deal with them on that basis, although it will take some time to set up routines for obtaining the information necessary before REA loans can be allocated under the new law. REA has served notice, however, that it will insist on "area coverage" comparable to its required standards under the Rural Electrification Act; that is, a plant system adequate to serve all farms in any given area.

There is a noticeable incentive on the part of the telephone companies to avail themselves of the low interest, long-term loans from REA. There has been some dissatisfaction on the part of public ownership and some REA co-op groups over the protective restrictions written into the present law in favor of existing telephone systems. State telephone associations, therefore, are advising their members to make the most of the one-year grace period granted to all existing telephone systems by the law—after which competitive service applications may be considered under some circumstances.

It is felt that if the existing companies can consolidate and push through the extension of considerable new farm telephone service during the next year, they would cut the ground from under those who would like to see the law subsequently changed so as to open the door for competition and public ownership. REA indicates that it will coöperate in the expeditious handling of all company loan applications.

ADMINISTRATOR Claude R. Wickard, of the REA, attending a recent southeastern rural electrification meeting at Mobile, Alabama, made the following remark during a forum discussion on rural phone service: "I am going to do the best I can to put some competition in the field."

He has recommended that organizations seeking to obtain telephone loans have a separate corporate setup from that of the REA coöperatives.

Told Bell Profits Ample

HEARINGS on the request of Indiana Bell Telephone for a $3,800,000 annual rate increase recessed on November 9th until November 21st, as an expert witness for the public told the state public service commission that Bell earnings are sufficient and may go even higher.

William E. Steckler, counsel for the state public service commission, said that when hearings resumed on the twenty-first he would call Dr. Laurence Knappen, a utility consultant, to the stand for testimony on a proper earning rate for Indiana Bell. Following that hearings would again recess until December 12th to allow attorneys for Indiana Bell to prepare for cross-examination of witnesses who testified in opposition to the proposed rate increase. This was said to mean that any commission decision on a rate increase probably would be put off until after January 1st.

James M. Honaker, a witness called by Steckler, introduced an exhibit which showed that on any one of several bases, Indiana Bell's return on its outstanding stock and bonds, or on its value, ranges from 5.1 per cent to 6.5 per cent. In 1947 the commission said the company could earn 6.2 per cent return on stock and bonds and 5.9 per cent on its plant value. Honaker said this earning rate possibly would rise when the Indiana Bell system is totally converted to local and long-distance automatic dialing.

Freeman D. Gates, a Chicago accountant employed by the engineering firm of Cyrus Hill, retained by the commission to help present the public's side in opposing any increase, said that in his opinion the company had understated by $3,000,000 to $6,000,000 its depreciation reserve requirements. Money from the depreciation reserve is used for replacement of worn-out equipment. This was said to have the effect of overvaluing the company's property by the same amount, leading to a greater profit.

THE Indiana commission, in a recent memorandum to all phone companies in the state, said it anticipated a flood of applications for rate relief because of the passage of the new 75-cent minimum wage law. Telephone companies, whose expenses will rise because of the new law, should apply for higher rates on an emergency basis, the commission said.

The commission said companies which can anticipate increased operating expenses and are positive they need rate relief should put appeals on an emergency basis, until a permanent decision on increased rates can be made.

Rebate Fight Revived

WHETHER Michigan Bell Telephone Company must refund $10,084,000 more to customers in 43 communities will be decided by the state supreme court. Detroit's share is $5,800,000.

Company officials recently disclosed plans to appeal an Ingham County Circuit Court decision upholding the state public service commission's order for a rate reduction amounting to $3,500,000 a year from January 1, 1946, to October 16, 1948.

"If the decision stands, it means that we will have earned over a period of the best business in the nation's history a return on our intrastate investment averaging appreciably less than 4 per cent, and in 1947 and 1948 alone a return of below 3 per cent," said Thomas N. Lacy, president.

The refund would endanger a construction program to provide new or improved service for 183,000 customers, he said. If excise taxes of $1,512,000, or 15 per cent of the total, are added to the rebate, the amount to be distributed would exceed $11,500,000.

Judge Marvin J. Salmon, who ordered the refund, delayed entering the final decree until November 20th because attorneys were unable to agree on its terms. The company will have twenty days to appeal after it is entered.

Thomas G. Long, representing the company, objected to a request by the commission that an injunction allowing the company to collect the disputed rates be dissolved.

Financial News and Comment

By OWEN ELY

Attitude of Some State Commissions Now More Liberal

Two recent talks by key men in the field of state regulation of utilities are encouraging to the utility industry, in its present struggle to finance a multi-billion-dollar construction program on the basis of generally inadequate earnings.

Harry Miller, president of the National Association of Railroad and Utilities Commissioners and member of the Ohio Public Service Commission, delivered an interesting address before the luncheon forum of the New York Society of Security Analysts on November 16th. His talk may be summarized as follows:

> Ohio is the only state in the union which specifies, by statute, that the utility rate base is cost of reproduction less depreciation. Mr. Miller defended this basis with the statement that the Ohio utilities are healthily progressive, render good service, and have the lowest residential rates of any state in the country, with the exception of those states which have cheap hydro power, and Louisiana with its natural gas resources. In practice rate fixing is based both on rate of return and the rate base, and a flexible rate of return can be used to adjust results from any arbitrarily high level of the rate base.

Mr. Miller was concerned about the financial structure of the utilities. Due to lack of sufficient equity financing in the earlier stages of the construction program, the average debt ratio increased from about 47 per cent to 50 per cent. Moreover, he pointed out, the annual increment in earnings has been very low in relation to the added plant value in recent years—in other words, return on the increased investment has been much too low. He thought that this had forced the utilities to use the leverage principle in order to maintain earnings. The $9 billion electric utility construction program is now only about 60 per cent completed, he stated.

Mr. Miller was also somewhat apprehensive about the inadequacy of depreciation charges and reserves. Years hence, when the present high-cost plants are replaced, the reserves currently accrued may prove too low, since the accrual is largely measured against the low original cost of the older plants, not against present high construction cost. If reserves prove inadequate the utility industry may then be in for rough financial sledding, he feared. He suggested that a comprehensive survey should be made of the whole depreciation problem, including the investment of the reserves. He held that many industrial companies are better protected since they are more liberal in their depreciation accruals and pay out a smaller proportion of earnings.

Mr. Miller held that public power is unfair to the private utilities with respect to relative taxes and rates. Also, the utilities have about twice as much tax burden

in relation to dollars of gross revenue as the average industrial company.

Questioned about the proposed merger of Ohio Edison and Ohio Public Service, he indicated that the commission's attitude was generally favorable and that he thought it would produce a "fine integrated system." Asked about the dilatory regulatory process in Ohio (the cities *versus* the commission and the courts), he said that the Ohio Constitution provides for home rule, but that if a city orders a residential rate reduction the utility can post a bond and continue the higher rate while it appeals to the commission or court. Also, in an emergency, the commission can order higher interim rates. (For further discussion of Ohio Edison merger, see page 818.)

THE utilities of New York state, which in 1948 contributed nearly 12 per cent of total U. S. electric revenues, have long been accustomed to regulation of the strictest type, under the rigorous discipline of former Chairman Milo Maltbie. It is a pleasant relief, since Mr. Maltbie resigned early this year, to find that some of the New York commissioners now take a less strait-laced and more flexible view of their regulatory duties. This was first indicated in a talk given by Commissioner Eddy before the New York Society of Security Analysts sometime ago, and more recently in a talk by Chairman Benjamin F. Feinberg before the New York State Motor Bus Association.

While his talk applied specifically to the operations of the bus companies, it has important implications with respect to the general regulatory policies of the commission.

He praised the bus companies for the progress they have made in providing transportation throughout the state and expressed hope that the bus operators will continue to improve the quality of the service.

He decried excessive government interference in private enterprise, stating, in part:

> Probably the principal hurdle facing bus operation today is rising costs—cost of equipment, of man power, in fact, cost of everything. I have heard it said that utility business is the only one that guarantees a profit. This idea apparently springs from the fact that the law permits a utility to increase rates to enable it to sell its service for more than cost. In theory, I suppose, this is true, but I do not need to tell you that this assumption does not always work out in practice. . . . The public will buy only when its needs require the article or service offered. It will buy only when it is financially able to do so. . . . At best, bus transportation is a limited monopoly and, while protected by law from unlawful encroachment by similar utilities, perhaps it is better said that the bus industry is helped to exist by law.
>
> But laws cannot make an industry grow, nor can laws operate a business. Only individual initiative can do that assisted by a minimum of law. I am one who believes that in spite of our present Federal governmental regulations, he is best governed, who is least governed. I regret that some of our national leaders regard this as an old-fashioned doctrine, but, my friends, you and I know that this old-fashioned philosophy has enabled this country to assume not only a commanding position but the leadership of the world.
>
> To keep costs within the limits required by a specific operation is most definitely management's duty. Managers should pursue every possible avenue of cost reduction, public relations, maintenance, supplies, labor relations, labor productivity, etc. . . .
>
> Let me remind you that regulation sprang from the very importance of the industry itself. Joint problems of regulatory bodies and industry must make regulation sensible so as not to destroy progress and opportunity. Working together and in coöperation I am confident that we can accomplish a result that will be satisfactory not only to the public but to all parties concerned.

Electric Utilities Earning Very Small Return on New Investment

At the end of 1947 the total net utility plant of all class A and B electric utilities was virtually the same as it was a decade previous—$12.4 billion—because plant write-offs and the increasing depreciation reserves fully offset additional plant investments, less retirements. In 1948, however, there was an increase to $13.9 billion, and the gain for the calendar year 1949 may be estimated at around $2.5 billion (based on incomplete figures in the FPC monthly bulletins). With major write-offs against surplus about completed by the end of 1946 (except for regular amortization accruals) increments in net plant account were about as follows, in billions:

1947	$ .8
1948	1.5
1949 est.	2.5
	$4.8

Against this increase in the rate base there was virtually no increase in earnings except in the year 1949. Total utility operating income for all A and B electric utilities has been as follows in recent years (in millions):

1945	$833
1946	829
1947	815
1948	830
Twelve months ended August 31, 1949	915

Assuming that the calendar year 1949 may show further improvement, to perhaps $950,000,000, the increase since 1946 will be only about $120,000,000. Even with this favorable assumption for 1949, the increase in earnings over the year 1946 would amount to only 2.5 per cent on the increase in the rate base since that year.

Are Current Depreciation Accruals Adequate?

In connection with Mr. Miller's comment about depreciation above, it may be worth while to "look at the record." It is true that reserves for depreciation and amortization have increased rapidly since 1938, but the reserves were admittedly at a low level in earlier years. Ratios are shown below.

As of August 31, 1949, electric utility plant figures (the figures below are for *total* plant) were as follows compared with a year earlier:

	Plant	*Reserves*	*Ratio*
Aug. 31, 1949	$16.6	$3.5	21.1%
" 1948	14.9	3.2	21.5

The rapid rise in the reserve ratio during 1938-45 was somewhat misleading because a considerable amount of new plant was being added, yet plant account remained stationary because of write-offs of intangibles. The increased reserves were necessary to protect the added plant and also to build up reserves to a more satisfactory ratio. However, a high point in the ratio appears to have been reached in 1947 and the ratio now seems

Year	*Total Utility Plant (Billions)*	*Total Reserves (Billions)*	*Ratio Reserves To Plant*
December 31, 1948	$17.8	$3.9	21.9%
" 1947	16.0	3.6	22.5
" 1946	15.0	3.3	22.1
" 1945	14.5	3.1	21.4
" 1944	14.8	2.8	19.0
" 1943	14.8	2.6	17.6
" 1942	14.8	2.3	15.6
" 1941	14.7	2.1	14.3
" 1940	14.4	1.9	13.2
" 1939	14.1	1.8	12.8
" 1938	14.0	1.6	11.4

PRINCIPAL PUBLIC OFFERINGS OF UTILITY SECURITIES
August 1 to November 19, 1949

Date	Amount Mill.	Description	Price To Company	Price To Public	% Gross Spread	Offering Yield #	Moody Rating
		Mortgage Bonds					
10/20	$15	Duquesne Light 2⅞s 1979	$100.14	$100.52	.4%	2.60%	Aaa
8/25	15	No. States Pr. (Minn.) 2¾s 1979	101.27	101.75	.5	2.66	Aa
10/27	10	Iowa-Ill. G. & E. 2¾s 1979	100.78	101.02	.2	2.70	Aa
11/17	3	Madison G. & E. 2⅞s 1979	100.29	100.88	.6	2.58	Aa
8/17	7	Calif.-Oregon Pr. 1st 2⅞s 1979 ..	100.42	101.00	.6	2.83	A
10/6	18	Gas Ser. Co. 2⅞s 1969	100.10	100.75	.6	2.85	A
10/13	9	Arkansas P. & L. 2⅞s 1979	100.26	101.00	.7	2.83	A
10/10	3	Utah P. & L. 2⅞s 1979	102.09	NA	NA	NA	A
10/21	40	Indianapolis P. & L. 2⅞s 1979 ..	101.53	102.13	.6	2.77	A
11/9	5	Central Maine Pr. 2⅞s 1979	101.33	101.52	.2	2.80	A
11/19	9	Assoc. Tel. 2⅞s 1979	100.27	100.75	.5	2.84	A
		Debentures					
		None					
		Preferred Stocks					
8/10	$10	Penn. P. & L. $4.50 Pfd.	$101.00	$103.75	2.7%	4.4%	
8/17	2	Iowa So. Util. $1.65 Conv. Pfd. .	28.10	30.00	6.8	5.5	
8/24	2	Calif. Water Ser. $1.32 Conv. Pfd.	25.25	26.40	4.6	5.0	
9/13	8	Hartford El. Lt. $1.95 Pfd.	NA	50.00	NA	3.9	
9/27	10	Tenn. Gas Trans. $4.65 Pfd.	NA	103.50	NA	4.4	
9/30	1	Southwestern Assoc. Tel. $5.50 Pfd.	NA	100.00	NA	5.5	
10/20	4(a)	Blackstone Valley G.&E. $4.25 Pfd.	100.20	102.40	1.2	4.1	
10/19	25	Pub. Ser. E. & G. $4.08 Pfd.	100.15	102.00	1.8	4.0	
11/4	3	Kentucky Util. $4.75 Pfd.	99.50	101.75	2.3	4.7	
11/3	15	Union Elec. Co. of Mo. $4 Pfd. ..	100.84	102.56	1.7	3.9	
11/10	3	Central Maine Pr. $4.60 Pfd. ..	100.18	102.22	2.0	4.5	
		*Common Stocks—Subscription Rights**					
10/19	$ 3	Carolina Tel. & Tel. ($8)	(c)	$100.00	—	8.0%	
9/19	1	New England G. & E. (90¢)	(c)	11.25	—	8.0	
9/23	74	Pacific Tel. & Tel. ($7)	(c)	100.00	—	7.0	
9/13	1	Utah P. & L. ($1.60)	(b)	23.50	—	6.8	
9/22	18	West Penn Elec. ($1.80)	(b)	23.63	—	7.6	
10/7	22	American G. & E. ($3)	(b)	44.75	—	6.7	
11/9	1	Central Maine Power ($1.20) ..	(b)	16.50	—	7.3	
11/2	9	Central & South West (90¢)	(b)	12.88	—	7.1	
11/9	14	Detroit Edison ($1.20)	(c)	20.00	—	6.0	
10/20	8	Illinois Power ($2.20)	(b)	31.50	—	7.0	
10/26	2	Kentucky Util. (80¢)	(c)	10.00	—	8.0	
11/17	7	New England Elec. System (80¢)	(b)	10.50	—	7.6	
11/17	16	Northern States Power (70¢) ..	(b)	10.25	—	6.8	
		Common Stocks—Other New-money Sales					
8/10	$ 6	Calif.-Oregon Power ($1.60) ...	$21.74	$23.25	7.0%	6.9%	
9/27	12	Tenn. Gas Trans. ($1.40 & Stock)	NA	30.25	NA	—	
10/18	2	Empire Dis. Elec. ($1.24)	16.08	17.13	6.6	7.3	
11/3	2	Interstate Power (60¢)	7.82	8.25	5.5	7.3	
		Common Stocks—Noncompany Sales					
8/17	$ 3	Texas Gas Trans.	NA	$12.00	NA	—	
9/14	8	Louisville G. & E. ($1.80)	$29.77	30.38	2.0%	5.9%	
9/8	24	Rochester G. & E. ($2.24)	(b)	28.50(e)	NA	7.9	
11/9	8	Middle South Util. ($1.10)	(c)	12.00(d)	—	9.2	

NA—Not available. *Offering date is considered to be record date of rights. Some issues are underwritten and stock may be "laid off" at intervals during the subscription period. #Yield to maturity for bonds. (a) Subject to exchange and subscription offers for part of issue. (b) Subscription price less underwriting and miscellaneous costs. (c) Subscription price less registration and issuance costs (no underwriting). (d) Subscription price to stockholders of Electric Bond and Share. (e) Subscription price to stockholders of General Public Utilities (underwritten).

to be in a slowly declining trend. In other words, larger accruals are needed to sustain the ratio.

If the straight-line theory should be adopted more widely (it already is used by a number of state commissions), the reserve ratio would probably be around 30 per cent. We do not necessarily advocate such an increase, but at any rate the present trend toward lower reserve ratios seems to support Mr. Miller's contention and reflects a disturbing trend. To safeguard the reproduction cost of present plant and to encourage fair regulatory standards, the utility companies should step up their depreciation accruals. It may be difficult to do this during the present period of equity financing, however, unless greater aid in the form of increased rates is obtained.

SOME commissions are still dilatory in giving rate increases. For example, the California commission delayed giving Pacific Gas and Electric relief on gas rates for nearly a year and the amount granted was only about two-fifths of the requested amount. Meanwhile, because of the company's huge construction program (the largest of any utility) and the necessity to do equity financing every year, earnings temporarily dropped to $1.93 on outstanding shares, or below the historic $2 dividend rate. The Michigan commission, possibly due to political factors, seems to be slow in giving Consumers Power adequate rate increases, though earlier it gave prompt aid to Detroit Edison and Michigan Consolidated Gas. The situation in New York is well known. However, most other states have given more adequate and timely help where the need was evident.

Recent Utility Offerings

THE table, page 817, tabulates the principal public offerings of utility securities from July 31st to November 19th. The last previous list, covering the period April 20th to July 31st, appeared in the August 18th issue, pages 234, 235. The present tabulation omits the names of the syndicate managers to afford space for the yield (based on the offering price to the public) and the Moody bond ratings. Gross spread is now given as a percentage of the net price to the company, instead of in points, so that easier comparison between the spreads for bonds, preferred and common stocks at varying price levels is now possible. The data on these tables are not intended to be exact to the last decimal—rounding out of figures is required to conserve space.

Common stock offerings are now divided into three groups—the new-money issues offered to stockholders, those made directly to the public, and other sales which do not represent new-money financing (principally disposal of stocks owned by holding companies, or large stockholder interests).

In common stock offerings we have indicated in parenthesis (after the name of the company) the indicated dividend rate. On stock subscriptions, footnotes in the column "Price to Company" indicate whether or not the issues were underwritten.

As previously mentioned, equity financing now plays a larger rôle than in 1948 and early 1949. This trend may be expected to continue while market conditions remain as favorable as at present, although some companies have doubtless now covered their requirements for junior financing for one or two years ahead.

Ohio Edison-Ohio Public Service Merger

NOW that the era of "regional integration" in the utility industry—the breakup of the big holding companies in accord with the Utility Act of 1935—is drawing to a close, it has been discovered that the law can be more liberally interpreted than was assumed some years ago. Holding companies can still survive with properties in a number of adjacent states, provided the subsidiaries are fully interconnected and closely integrated. "Bigness" is no deterrent, as

holding company systems with annual revenues of $50,000,000-$100,000,000 have been permitted to organize and conform to the act. And now it appears likely that regulatory authorities will not be averse to mergers of utility operating companies where these can be proved advantageous.

The largest of these mergers was recently announced when Ohio Edison, under the forceful management of Walter Sammis, revealed that it was seeking regulatory permission to acquire two-thirds of the outstanding 3,000,000 shares of Ohio Public Service Company from Cities Service Company. The latter is required under the Holding Company Act to divest itself of the interest sooner or later. Cities Service will receive $35,000,000 or at the rate of $17.50 per share of Public Service. Public Service stock was originally sold to the public in April at 16 and since that time has been quoted over-counter in a range of 13⅞ to around 16¾, before announcement of the proposed deal. Edison proposes to acquire such stock in exchange for up to 1,144,000 shares of its own common stock to be issued to underwriters, and necessary cash; the underwriters will pay Cities Service. The underwriting group is to be headed by the following firms selected by Ohio Edison: First Boston Corp., Lazard Freres & Co., Union Securities Corporation, and Wertheim & Co.

Public holders of the stock will have an opportunity later to exchange their shares for those of Edison, apparently on a comparable basis, but definitive details are not yet available. Following acquisition of the 2,000,000 shares, it is understood that an exchange offer to public holders will be made for at least thirty days. Within a reasonable time after the expiration of this exchange offer it is contemplated that Public Service will be merged into Edison.

Edison plans that about 1,142,000 shares of the stock to be issued to underwriters will, prior to the public offering, be offered at the initial public offering price by the underwriters to Edison's stockholders on a 1-for-2 basis. The offering will be made to holders of record December 1st and rights will expire December 19th. The terms of the underwriting will be determined by negotiation and will fix the initial public offering price. Judging from the number of shares proposed to be issued, Edison apparently expects to net about 30⅝ for the stock (after commissions and costs) compared with the recent price of 31¼. However, any minor cash adjustment could be handled through cash or a temporary bank loan. (As of August 31st Ohio Edison had net current assets of about $5,000,000.)

The territories of Edison and Public Service adjoin for a distance of over 200 miles and there are now three interconnections between their transmission lines. According to the "red herring" prospectus Edison believes that integration of the properties will result in:

1. More efficient utilization of the electric generating plants of the two companies by operating the most efficient and lowest-cost generating units for longer periods on base loads and by the interchange of economy energy, thereby reducing combined expenses.
2. Decreasing, through integrated operation, the combined reserve generating capacity that would otherwise be normally installed for the operation of the two properties, thereby lessening combined investment requirements in generating facilities.
3. More efficient and better utilization of the transmission and adjoining distribution facilities of both companies, thereby reducing power losses, improving service to customers, and decreasing both combined operating expenses and the combined investment in such facilities.
4. Benefits and savings through the opportunity so provided for more efficient and effective use of the organizations of both companies.

It is estimated that savings through more efficient use of generating capacity in 1950 might approximate $325,000-$350,000. Also plans previously made by Ohio Public Service to buy some $420,000 power in 1951-53 can now be modi-

fied or dropped. According to a press estimate, the merger may make possible the saving of some $18,000,000 in generating capacity. This is based on the estimate that capacity needs will be reduced by 120,000 kilowatts which, if constructed, would cost $150 per kilowatt or $18,000,000.

Per share earnings are "to be furnished by amendment." Assuming that 1,142,000 shares are currently issued and that the remaining 1,000,000 shares can be obtained by exchange on a comparable exchange basis, the merged company would have approximately 4,000,000 shares, making *pro forma* share earnings $2.82. This figure, however, must be considered approximate since neither the net price from the current sale of stock, nor the exchange terms to Public Service stockholders, have yet been definitely fixed or approved. For the twelve months ended October 31st, Edison (Consolidated) earned $2.97 per share after plant amortization of some 42 cents, and Public Service earned $1.56 after a 13-cent deduction for a higher Federal income tax bill after the company's separation from the Cities Service system.

DIVIDEND-PAYING ELECTRIC UTILITY STOCKS

		11/16/49 Price About	Indicated Dividend Rate	Approx. Yield	Share Earnings Cur. Period	Share Earnings Prev. Period	% Increase	Price-Earn. Ratio	% of Rev. Avail. For Com. Stock
Revenues $50,000,000 or over									
B	Boston Edison	45	$2.80	6.2%	$2.90d	$2.75	5%	15.5	11%
S	Cincinnati G. & E.	30	1.40	4.7	3.29s**	2.57**	28	9.1	13
S	Cleveland Elec. Illum.	42	2.20	5.2	2.77s**	2.48**	12	15.2	11
S	Commonwealth Edison	29	1.60	5.5	2.04s	1.73	18	14.2	10
S	Consol. Edison of N. Y.	27	1.60	5.9	2.35s	2.28	4	11.5	7
C	Consol. Gas of Balt.	69	3.60	5.2	4.73s*	4.21*	12	14.6	8
S	Consumers Power	32	2.00	6.3	2.55s*	2.39*	7	12.5	13
S	Detroit Edison	23	1.20	5.2	1.87o	1.45	30	12.2	8
C	Duke Power	81	4.00	4.9	8.19s	6.04	36	9.9	12
O	Niagara Mohawk Power	21WD	1.40	6.7	1.90s	—	—	11.1	—
S	Northern States Power	11	.70	6.4	1.11s	.89	25	9.9	13
S	Pacific G. & E.	33	2.00	6.1	2.20s*	2.47*	D11	15.0	8
S	Penn Power & Light	21	1.20	5.7	2.02s**	1.73**	17	10.4	9
S	Philadelphia Elec.	25	1.20	4.8	1.70s**	1.51**	13	14.7	12
S	Pub. Serv. E. & G.	25	1.60	6.4	2.38je	—	—	10.5	8
S	So-Calif. Edison	34	2.00	5.9	2.94s	1.84	60	11.6	7
S	Virginia Elec. Power	19	1.20	6.3	1.73s*	1.38*	25	11.0	9
S	Wisconsin Elec. Power	19	1.25	6.6	2.05s**	1.44**	42	9.3	8
	Averages			5.7%				12.2	
Revenues $25-$50,000,000									
S	Carolina P. & L.	31	$2.00	6.5%	$3.17s	$3.27	D3%	9.8	13%
O	Central Ill. P. S.	16	1.20	7.5	1.56s**	1.44**	8	10.3	15
O	Connecticut L. & P.	57	3.25	5.7	3.70s**	3.44**	8	15.4	12
S	Dayton P. & L.	30	1.80	6.0	2.67s**	2.05**	30	11.2	13
O	Florida P. & L.	18WD	1.20	6.7	1.98s	1.65	20	9.1	12
S	Houston L. & P.	48	2.20	4.6	3.26s**	2.95**	11	14.7	16
S	Illinois Power	36	2.20	6.1	2.93s**	2.47**	19	12.3	15
S	Louisville G. & E.	30	1.80	6.0	3.33s	2.66	25	9.0	12
O	New Orleans Pub. Ser.	35	2.25	6.4	3.18s	2.73	16	10.1	8
S	N. Y. State E. & G.	50	3.40	6.8	4.65s	3.96	17	10.8	8
O	Northern Ind. P. S.	18	1.20	6.7	2.09s**	1.81**	15	9.0	11
S	Ohio Edison	31	2.00	6.5	2.97o	2.77	7	10.4	14
O	Ohio Public Ser.	17	1.24	7.3	1.66ag	—	—	10.2	15
S	Potomac Elec. Power	15	.90	6.0	1.10je	1.05	5	13.6	11
S	Pub. Serv. of Colo.	47	2.60	5.5	4.68m	3.69	27	10.0	14
O	Pub. Serv. of Ind.	25	1.60	6.4	2.55s**	2.08**	23	9.8	17
O	Puget Sound P. & L.	13	.80	6.2	1.57s	1.74	D10	8.3	11
O	Rochester G. & E.	31	2.24	7.2	2.64s	2.79	D5	11.7	7
	Averages			6.3%				10.9	

	(Continued)	11/16/49 Price About	Indicated Dividend Rate	Approx. Yield	Share Earnings Cur. Period	Share Earnings Prev. Period	Share Earnings % Increase	Price-Earn. Ratio	% of Rev. Avail. For Com. Stock
Revenues $10-$25,000,000									
O	Atlantic City Elec.	18	$1.20	6.7%	$1.54s**	$1.36**	13%	11.7	12%
S	Birmingham Elec.	10	—	—	.84s	1.11	D24	11.9	4
O	Central Ariz. L. & P.	12	.80	6.7	1.25s**	1.04**	20	9.6	13
S	Central Hudson G. & E.	9	.52	5.8	.57s	.51	12	15.8	6
O	Central Ill. E. & G.	20	1.30	6.5	2.20s	2.11	4	9.1	11
S	Central Illinois Lt.	34	2.20	6.5	2.99s	2.88	4	11.4	14
O	Central Maine Power	16	1.20	7.5	1.57o**	.96**	64	10.2	15
S	Columbus & S. Ohio El.	20	1.40	7.0	2.48s	1.99	25	8.1	13
O	Connecticut Power	33	2.25	6.8	1.87je	2.34	D20	17.6	11
S	Delaware P. & L.	21	1.20	5.7	1.88s**	1.40**	34	11.1	12
S	Florida Power Corp.	16	1.20	7.5	1.78s	1.52	17	9.0	11
S	Gulf States Util.	20	1.20	6.0	1.90s**	1.48**	28	10.5	17
C	Hartford Elec. Light	47	2.75	5.9	2.65je	—	—	17.7	14
S	Idaho Power	35	1.80	5.1	2.64s**	2.34**	13	13.3	19
S	Indianapolis P. & L.	29	1.60	5.5	3.16s**	3.01**	5	9.2	14
O	Interstate Power	8	.60	7.5	.83ag**	—	—	9.6	13
O	Iowa Pub. Ser.	18	1.00	5.6	1.87ju	1.36	38	9.6	9
	Kansas Gas & Elec.	30	2.00	6.7	2.98o**	2.01**	48	10.1	12
S	Kansas Power & Light	17	1.00	5.9	1.56s	1.20	30	10.9	14
O	Kentucky Utilities	13	.80	6.2	1.49s**	1.17**	27	8.7	12
O	Minnesota P. & L.	26	2.20	8.5	3.66s	—	—	7.1	14
O	Montana Power	18WD	1.40	7.8	2.38ag	2.32	3	7.6	25
C	Mountain States Power	32	2.50	7.8	3.81s**	4.06**	D 6	8.4	12
O	Oklahoma G. & E.	37	2.40	6.5	3.48s**	2.97**	17	10.6	14
O	Portland Gen. Elec.	23	1.80	7.8	1.78s**	2.16**	D18	12.9	14
O	Pub. Ser. of N. H.	24	1.80	7.5	1.87o**	1.48	26	12.8	12
O	San Diego G. & E.	13	.80	6.2	.95s**	.78**	22	13.7	6
S	Scranton Elec.	13	1.00	7.7	1.06s	1.16	D9	12.3	14
S	So. Carolina E. & G.	9	.60	6.7	1.39s	.87	60	6.5	10
O	Southwestern Pub. Serv.	32	2.20	6.9	2.68ju	2.63	2	11.9	22
C	Tampa Electric	31	2.00	6.5	2.57s	2.09	23	12.1	12
O	United Illum.	42	2.25	5.4	2.60d	2.56	2	16.2	16
C	Utah Power & Light	23	1.60	7.0	2.27s	2.23	2	10.1	16
O	Western Mass. Cos.	32	2.00	6.3	2.30d	2.41	D5	13.9	12
O	Wisconsin P. & L.	16	1.12	7.0	1.54s	1.35	14	10.4	11
	Averages			6.7%				11.2	
Revenues $5-$10,000,000									
C	California Elec. Pr.	8	$ .60	7.5%	$1.85s	$1.76	12%	9.4	10%
O	Calif. Oregon Power	23	1.60	7.0	2.15s**	1.88**	14	10.7	17
O	Central Vermont P. S.	8	.68	8.5	.62s	.29	114	12.9	6
C	Community Pub. Ser.	32	2.00	6.3	4.06s	3.90	4	7.9	12
O	El Paso Electric	31	2.00	6.5	3.38s	2.90	17	9.2	20
S	Empire Dist. Elec.	17	1.24	7.3	2.19s	2.38	D8	7.8	11
O	Gulf Public Service	11	.80	7.3	1.35ag	1.32	2	8.1	13
O	Iowa Southern Util.	17	1.20	7.1	2.16s**	1.13**	91	7.9	8
O	Lawrence G. & E.	36	2.60	7.2	2.41d	2.48	D3	14.9	9
O	Lynn G. & E.	86	5.00	5.8	5.02d	5.87	D14	17.1	16
O	Madison Gas & Elec.	26	1.60	6.2	1.56ag	—	—	16.7	12
O	Michigan Gas & Elec.	20	1.60	8.0	2.33s	1.96	19	8.6	9
O	Missouri Utilities	13	1.00	7.7	1.65s**	1.55**	6	7.9	12
O	Northwestern P. S.	10	.80	8.0	1.18s	1.29	D9	8.5	11
O	Otter Tail Power	20	1.50	7.5	1.62d	1.58	2	12.3	9
C	Penn Water & Power	34	2.00	5.9	4.81d	4.32	11	7.1	24
O	Public Ser. of New Mexico	18	1.00	5.6	1.79s	1.57	14	10.1	14
O	Rockland L. & P.	9	.60	6.7	.64s	.60	6	14.1	12
O	Sioux City G. & E.	38	2.00	5.3	3.19s	2.84	12	11.9	10
O	Southern Ind. G. & E.	21	1.50	7.1	2.18s**	2.03**	7	9.6	15
O	Tide Water Power	8	.60	7.5	.98o**	.88**	11	8.2	7
O	Western Lt. & Tel.	24	2.00	8.3	2.45s**	2.02**	21	9.8	10
	Averages			7.0%				10.5	

(Continued)		11/16/49 Price About	Indicated Dividend Rate	Share Earnings: Approx. Yield	Cur. Period	Prev. Period	% Increase	Price-Earn. Ratio	% of Rev. Avail. For Com. Stock
Revenues under $5,000,000									
O	Arizona Edison	17	$1.00	5.9%	$2.66s	$1.30	105%	6.4	8%
O	Arkansas Missouri P.	14	1.00	7.1	2.20je	1.89	16	6.4	14
O	Bangor Hydro Elec.	25	1.60	6.4	2.39je	2.86	D16	10.5	15
O	Beverley G. & E.	35	2.40	6.9	2.10d	2.19	D4	16.7	6
O	Black Hills P. & L.	15	1.20	8.0	1.83ju	2.30	D20	8.2	13
O	Calif. Pacific Util.	29	2.40	8.3	3.38s	4.29	D21	8.6	9
O	Central Louisiana El.	29	1.80	6.2	3.77s	2.49	51	7.7	18
O	Central Ohio L. & P.	26	1.60	6.2	2.72s**	2.44**	11	9.6	10
O	Citizens Utilities	11	.70&Stk	6.4	1.81s**	1.46**	24	6.1	12
O	Colorado Central P.	27	1.80	6.7	2.58s	2.88	D10	10.5	11
O	Concord Electric	35	2.40	6.9	2.17d	2.30	D6	16.1	11
O	Derby G. & E.	20	1.40	7.0	1.25d	1.47	D15	16.0	10
O	East Coast Electric	19	1.20	6.3	1.44je	1.85	D22	13.2	14
O	Fall River Elec. Lt.	52	4.00	7.7	3.55d	3.32	7	14.6	16
O	Fitchburg G. & E.	42	2.75	6.5	2.68d	2.85	D6	15.7	11
O	Frontier Power	4	.20	5.0	.84d	1.14	D26	4.8	10
O	Haverhill Elec.	26	1.00	3.8	1.10d	1.48	D26	23.6	6
O	Lake Superior Dist. P.	23	1.40	6.1	3.46s	1.51	129	6.6	5
O	Lowell Elec. Lt.	40	3.00	7.5	2.73je	—	—	14.7	9
C	Maine Public Service	13	1.00	7.7	1.82ag	.76	139	7.1	9
O	Michigan Public Ser.	20	1.40	7.0	2.33s**	1.52**	53	8.6	8
O	Missouri Edison	8	.70	8.8	.89je	1.00	D11	9.0	9
C	Missouri Public Ser.	32	1.60	5.0	3.92d	4.21	D7	8.2	13
O	Newport Elec.	25	1.80	7.2	2.45my	2.66	D8	10.2	11
O	Sierra Pac. Power	24	1.60	6.7	2.03s	2.01	1	11.8	13
O	Southern Colo. Pr.	9	.70	7.8	1.20my	1.21	—	7.5	14
O	Southwestern El. Ser.	12	.80	6.7	1.36my	1.18	15	8.8	14
O	Tucson Gas, E. L. & P.	21	1.20	5.7	2.35s	1.65	42	8.9	16
	Averages			6.7%				10.6	
	Averages, five groups			6.6%				11.0	
Canadian Companies†									
C	Brazilian Trac. L. & P.	19	$2.00	10.5%	$3.85d	$3.69	4%	4.9	—
C	Gatineau Power	18	1.30	7.2	1.26d	1.63	D23	14.3	—
C	Quebec Power	16	1.00	6.3	1.14d	1.21	D6	14.0	—
C	Shawinigan Power	24	1.20	5.0	1.58d	1.63	D3	15.2	—
C	Winnipeg Electric	37	1.40	3.8	1.81d	1.96	D8	20.4	—
Integrated Holding Companies									
S	American Gas & Elec.	47	$3.00	6.4%	$4.84s	$4.27	13%	9.7	—
O	American P.&L. Reclassified	14WD	.90E	6.4	1.37je	—	—	10.2	—
S	Central & South West	13	.90	6.9	1.33s**	1.20**	11	9.8	—
S	Middle South Util.	17	1.10	6.5	1.90ag	—	—	8.9	—
S	New England El. System	10	.80	8.0	1.22m	—	—	8.2	—
O	New England G. & E.	13	.90	6.9	1.44s**	1.21**	19	9.0	—
S	Southern Co.	11	.80	7.3	1.24	.85	46	8.9	—
O	Texas Utilities	20WD	1.12	5.6	1.97ju	—	—	10.2	—
S	West Penn Elec.	24	1.80	7.5	3.40s	3.15	8	7.1	—
	Averages			6.8%				9.1	
Other Electric Holding Companies									
S	General Pub. Util.	16	$1.00	6.3%	$1.85sPF	—	—	8.6	—
S	North American	19	1.00	5.3	1.78jePF	—	—	10.7	—
C	Philadelphia Co.	17	.70	4.1	1.12je	.68	65	15.2	—
O	West Penn Power	35	2.00	5.7	2.41s**	2.36**	2	14.5	—

B—Boston Exchange. C—Curb Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. E—Estimated. WD—When delivered. *Based on average number of shares outstanding. **Based on present number of shares outstanding. †—While these stocks are listed on the Curb, Canadian prices are used. a—April. ag—August. d—December. f—February. j—January. m—March. my—May. je—June. ju—July. s—September. o—October. PF—*Pro forma.*

What Others Think

Statement of Principles for the Electric Power Industry

LAST September the steering committee of Public Information Program presented to the Chicago meeting of that group, a statement of principles that it had been working up for publication by independent member companies. The draft consists of seven general policy principles and was unanimously approved for publication.

By way of introduction, the statement recites the fact that the American people have at their service an electricity supply unequaled in any other country in the world. It refers to this world supremacy as a "tribute to the inventive genius, courage, and vision of men who have had freedom of opportunity under our American system of free enterprise."

The seven points developed for the "investor-owned, tax-paying electric" companies are as follows:

1. We stand foursquare for the preservation and strengthening of the American system of equal opportunity for all. We believe that the American free enterprise system can provide more benefits for more people than any alternative system, existing or proposed.

2. We acknowledge and accept our fourfold duty:

First, to furnish to the people of America an efficient and reliable electricity supply, at lowest self-sustaining cost, adequate for their homes, their farms, their work, their industry, and their enjoyment.

Second, to maintain attractive, safe, working conditions, at good wages for our employees.

Third, to earn a fair return for the investors whose funds have made possible the development of the excellent electrical system of this country.

Fourth, and above all, to strive for the security of our nation.

3. We believe in the sound economic development, conservation, and use of the natural resources of the nation in the general public interest. We recognize that stream control aimed at flood prevention, water supply, reclamation, and navigation, must involve functions of government and that in connection therewith electric energy often can and should be economically developed. However, Federal planning should not preclude river developments by private capital which should also be utilized wherever possible in the installation of power plants and transmission lines forming a part of multipurpose projects. Existing electrical facilities should not be duplicated but, with fairness to all, used in coördinated project plans. For the benefit of the local beneficiaries of multipurpose projects and to lighten the burden of contributory taxes on the rest of the nation, present local distributors should be permitted to buy at the highest price consistent with the interests of electric customers, and to market without prejudice or discrimination the electricity produced at Federal government dams wherever markets exist or can be developed. Any savings made possible by so doing will be passed along to the users of electricity, under regulation by the duly constituted regulatory authorities.

4. We advocate and support regulation of rates and service by competent governmental agencies which derive their authority from and are responsive to the people living in the areas served. We believe that Federal regulation should extend only to the area beyond the confines of state regulation.

Both Federal and local regulation should be for the public interest with equal and due regard for the three parties of interest; namely, the consumer, the investor, and the company employee.

5. We will continue to work for the upbuilding and development of the communities and areas we serve in coöperation with their established community organizations and agencies.

6. We believe that the same policy of democracy should apply to all industry; that is, government should not in a proprietary manner perform functions that industry is fully capable and willing to perform.

7. We believe that maximum benefits will accrue to the nation through the coöperative efforts of government and the investor-owned electric utility industry. Such coöperation will result in substantial savings in government expenditures, expansion of the tax base, elimination of government competition with its taxpayers, and equitable distribution of the benefits of electricity to all users in a given area without discrimination.

CHAIRMAN of the subcommittee was George M. Gadsby, president of Utah Power & Light Company. Other members were: R. H. Knowlton, president of Connecticut Light & Power Company; P. H. Powers, president, West Penn Power Company; and J. B. Thomas, president, Texas Electric Service Company.

J. W. Parker, chairman of the steering committee and president of the Detroit Edison Company, urged all investor-owned power companies to consider publicizing this statement "in every feasible manner."

Questions about the Electric Industry

"I WANT to Know *More* about the Electric Industry," the second "I Want to Know" information booklet to be brought out by the Edison Electric Institute, has just been published. Like its predecessor of last year, the new booklet answers in concise form questions frequently asked the institute and supplements each brief answer with tabular and text material.

Offering a comprehensive picture of the electric industry today in ready-reference form, the booklet's presentation has been strengthened by the inclusion of three new questions: "What about the Expansion Program?", "How Did Farm Electrification Begin?", and "How Did the Electric Industry Get Its Start?"—bringing the total of questions asked and answered to twenty-seven. In addition, a short explanation of those troublesome terms, "kilowatt" and "kilowatt hour," has been provided.

Based on national data derived primarily from the EEI's annual Statistical Bulletin and from various Federal Power Commission publications, the new booklet presents authoritative answers to a wide range of questions, such as "How Does the U. S. Rank in World Production and Capacity?", "Who Uses How Much?", "What about Electricity at Home?", "How Many Electrical Appliances Work for U. S. Families?", "What about Electricity on the Farm?", "Where Do Electric Company Revenues Come from?", "Who Owns the Electric Industry?", "Who Produces and Sells the Greatest Percentage of Electricity?", and "What about the Future?"

IN estimating the prospects for this year's booklet, notice must be taken of the wide variety of informational uses to which last year's "I Want to Know about the Electric Industry" was put. This initial edition went through four printings, and found extensive application in electric company organizations, some of which distributed copies to all employees, and where the booklet proved its worth to those concerned with preparing newspaper articles, advertising, reports, pamphlets, information letters to

stockholders, speeches, and employee magazines. It was also valuable to columnists, editorial and financial writers, and to others requiring accurate, readily available information on electric industry matters.

Gas Appliance Problems Explored

LOUIS RUTHENBURG, chairman of the Board of Servel, Inc., sees the American businessman as possessing the selling techniques to effectively counteract the socialistic trend which he recognizes in the present state of the American economy. The remarks of the gas official before the Pacific Coast Gas Association at Santa Barbara, California, on September 8, 1949, have been recently published in booklet form. In it he says that business management has this selling job to do in educating a majority of the American electorate in the fundamental facts of our system of government and the relationship of government to the individual.

In commenting on this selling challenge, Ruthenburg states:

> Business management must either accept the challenge or, in a spirit of supine defeatism, await the deluge. Only in the business community is there to be found the knowledge and understanding, the financial means, the requisite selling ability, and the impelling incentive. American businessmen have conclusively demonstrated their peerless ability to sell goods and services. The same techniques of advertising, promotion, and personal selling can be effectively used to sell the biggest bargain in the world—our privately owned, privately managed competitive system. Business management has at hand the essential tools, fully developed. Does business management have the vision and the will to do?

The address, entitled "Business Management in a Changing Economy," touches on the business problems facing management and suggests methods of dealing with them. The speaker, terming the change from a seller's to a buyer's market as a healthy one, calls for a spirited practice of the art of salesmanship—an art lost in the seller's market of the postwar years.

RUTHENBURG recognizes a similar economic situation in the period following the first World War, but refuses to make any prediction as a result of these observations of similar past situations, because the future economic trend is not the function of "wealth in mass" but of "wealth in motion." He sees this important element of velocity as being the result of many decisions on the part of many millions of people and consequently unpredictable. For this reason our economists, statisticians, and government oracles cannot arrive at agreed forecasts.

In view of the abnormal buyer's market which exists today, the gas executive sees prospective buyers as stubborn and lethargic. Disposable income which was available a few months back, when eager buyers were bidding for scarce appliances, is no longer freely available in the appliance market. It now seeks refuge in savings accounts.

The salesmanship tool, the only proper one to employ here, having been unused for years is now almost destroyed by rust. Furthermore, the surviving prewar salesmen and sales executives are nine years older than they were in 1940, and the active years have taken their toll. The youngsters in the selling world, though inexperienced, appear to be the one last hope and should be groomed to "carry the ball" by sound training, leadership, and inspiration.

Ruthenburg cites the successful case of a middle western utility which through the years has maintained a well-paid, enthusiastic, and effective sales force, despite war and postwar conditions. The scheme has paid off. The speaker terms a statement made by the vice president of the utility as one which should be

"pasted in the hat of every sales executive in the land." It is:

> A hard-hitting sales organization cannot be built in six months or one year. It takes years, after a sound philosophy of selling is organized, to build up the right people, from the salesmen up through the sales supervisors who thoroughly understand this philosophy, then go out and work, and this can be done without a lot of time wasted in meetings, as too many meetings kill sales enthusiasm and waste precious selling time.
>
> During the past seven or eight years, sales organizations and industry in general have been bombarded with surveys, clinics, meetings, market research, personnel studies, etc., to such an extent that we have forgotten the old-fashioned way of selling, which means getting back to hard work day in and day out.

AN encouraging note for those concerned with the investment phases of the gas industry is found in Ruthenburg's remarks when he discloses statements made by members of the investment banking fraternity regarding the natural gas industry.

James H. Orr of Boston responded to Mr. Ruthenburg's inquiry about his philosophy in organizing Gas Industries Fund, Inc., with this statement:

> My philosophy behind this fund has been as follows: I consider the natural gas industry and its related fields to be the most attractive for investment purposes today and also for the foreseeable future. This conviction is based on three simple fundamentals: (1) The labor factor is very low; (2) the tax treatment is relatively favorable; and (3) the trend of growth is outstanding. The other side of the equation is that I think wage inflation is permanently frozen into our economic structure; I do not expect lower corporate taxes; and I think growth industries represent one of the few ways the investor can hope to maintain his position in the light of current political and financial philosophies.

Robert C. Heim, vice president of the Empire Trust Company of New York, is on record with the following statement:

> The natural gas industry has emerged, not only as a major source of fuel in the Southwest, but also as an industry of major consequence to a surprisingly large part of the United States. Utilities supplying the city of New York will be large users of natural gas within a year or two. In due course, New England and almost every industrial area will have supplies available if present plans are carried through.
>
> The growth of this great industry, which is closely allied to the oil industry, has been as silent and efficient as natural gas itself. We believe that only a minority of investors are aware of the stability and earning potential in this important field.

THE speaker then goes on to point out the potentials and hazards of the gas industry. The potentials are presented in an "oversimplified" summary as follows:

> 1. Because of revolutionary change in relative residential fuel prices, natural gas now is actually or potentially the cheapest, as well as the most desirable, fuel. The future market is one of great magnitude.
>
> 2. Natural gas reserves, in ratio to usage, are far greater than those of petroleum.
>
> 3. The industry's growth has been phenomenal. Rapidly accelerated future growth is indicated as postwar "bottlenecks" disappear.
>
> 4. The natural gas industry is assured of low transportation costs.
>
> 5. The labor cost factor is relatively low.

Equally simplified and incomplete is the summary of the hazards that confront the industry:

1. Demand for space heating may cause:
   a. Poor load factors,
   b. Unmanageable peak demand,
   c. Increased parasitic costs (*e.g.*, for storage and peak shaving),
   d. Reduced net earnings,
   e. Interruption of industrial operations, causing bad public relations.
2. The profitable residential load, which in 1948 accounted for 34.1 per cent of national thermal send-out and for 61.6 per cent of revenue, is seriously threatened by encroachment of electric appliances.
3. Gas appliance selling organization and man power are inadequate as to quality and quantity.

In viewing the future in its many potentials, Ruthenburg cautions the industry to be ever conscious of the basic industry loads; namely, the cooking and water-heating loads. In recognizing these ever-present load markets, he sees a need for close coöperation between utilities and appliance manufacturers. Their interests are closely interdependent. Greater volume, uniform specifications, and sustained year-round effort are seen as vital contributors to better appliances at lower costs. The speaker concludes his address by calling the attention of the industry to the "tides and tidal waves" in the political climate which are considered increasingly unfavorable for business activity. He describes the plight of business in these words:

> Under the simple but tragically effective formula of "tax, spend, and elect," business is used as an agency for collecting enormous tax funds with which all segments of our society are bribed into acquiescence.

The speaker then urges the American businessmen, as a simple matter of self-preservation, to stand up and be counted in opposition to the forces that are bringing about their destruction.

Notes on Recent Publications

Two Paths to Collectivism. The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, has published Volume 3, No. 2, in its series of pamphlets, entitled "In Brief." This little pamphlet, written by Russell J. Clinchy, minister of The First Church of Christ, Hartford, Connecticut, deals with the threat of Collectivism. It traces the relationship between tendencies in the present British economy and the outright practices of Collectivism in the Russian system. Historical references are used and the following quote from Thomas Jefferson is used to keynote the capable presentation, "Were we directed from Washington when to sow and when to reap, we should soon want bread." The booklet can be obtained from the economic foundation at no charge for single copies and nominal charges for quantities.

The effects of higher income taxes on electric utility enterprises is the subject of a recently released publication of EcoStat Research, Incorporated, Ridgewood, New Jersey. The authors, Herbert B. Dorau, PhD, professor of economics, New York University, and J. Rhoads Foster, PhD, lecturer in public utilities, New York University, point out the increased burden on the consumers which results from any increase of taxes on public utilities. The unfair aspects of the utility tax pattern are stressed in the exemption of the publicly owned and REA co-op types of utility organizations. The authors see any increase in income taxes as resulting in a curtailment of expansion in the industry and as tending to jeopardize the industry's ability to serve the American economy in a critical period of national and international life. The publication is well documented, and the utility writers have made free use of charts and statistics to demonstrate their points. This 104-page tax analysis is obtainable from EcoStat Research, 88 Chestnut street, Ridgewood, New Jersey, at $2.50 per copy.

The Bituminous Coal Institute has recently published its 1949 annual, giving "facts and figures" for the bituminous coal industry. The institute, a department of the National Coal Association, has covered all aspects of the industry in this factual recital. Among the subjects discussed are energy, production, markets, combustion, chemistry, and finance —all important phases of the large bituminous industry. The 192-page book is well illustrated, and easily interpreted color graphs are used to make the statistics quite palatable. The book may be obtained from the Bituminous Coal Institute, Southern building, Washington 5, D. C.

The March of Events

In General

BPA Keeps Wholesale Rate

THE Bonneville Power Administration has decided to keep its wholesale rate for electric power at $17.50 per kilowatt year for the next five years, Dr. Paul J. Raver revealed recently before the Bonneville regional advisory council meeting in Portland. Raver said the 5-year extension of the rate, lowest wholesale power tariff in the nation, on all existing contracts, was approved on November 17th by the Secretary of the Interior.

"In 1954 we expect to have to increase the rate . . . but not more than $5 a kilowatt year," the Bonneville Administrator told the council.

The extension was made possible in the face of doubled construction costs on new dams and transmission lines by Bonneville's $41,500,000 surplus and by increased efficiency in transmission line operation which has held operation and maintenance costs at the 1940 figure.

The extension of the low rate will be made in all existing contracts to December 20, 1954. At the same time Raver announced signing of one-year contracts with the five private utilities of the western power pool.

Co-ops Seek More Funds

RURAL electrification workers in four southeastern states asked help recently in getting more of their own power-generating facilities. A resolution adopted at a regional meeting of the National Rural Electric Coöperative Association, held at Mobile, Alabama, asked Congress for more funds and elimination of restrictions on appropriations.

The resolution also called on Administrator Claude R. Wickard to liberalize REA policy on allocating funds for generating power. The managers and directors of rural electric coöperatives from Alabama, Mississippi, Tennessee, and Kentucky listed five reasons for coöperative-owned generating plants: (1) shortage of power; (2) poor service from private power companies; (3) savings of an estimated several millions of dollars in generating costs; (4) a degree of independence in owning generating facilities; (5) coöperatives are "hamstrung" by private power companies in negotiating contracts.

Clyde T. Ellis, executive manager of the association, reported there were 30 to 40 coöperative-owned generating plants in various stages of construction in the United States.

Under present REA policy, Wickard will approve generating facilities for coöperatives only when a saving can be effected and where there is a power shortage.

The 1950 regional meeting will be held in Tennessee at a site to be selected later.

Deputy REA Official Named

GEORGE HAGGARD, formerly of Austin, Texas, was appointed deputy administrator of the Rural Electrification Administration recently. He succeeded William J. Neal recently killed in an automobile accident.

The Agriculture Department notified Texas members of Congress of Haggard's promotion from his position of assistant REA administrator.

Haggard was recommended for the deputy administrator's position by Texas Senators Connally and Johnson and various House members from that state.

Pipeline Sought for New England

THE Texas Eastern Transmission Corporation, operator of the Big Inch and Little Inch pipe-line system, last month announced that it had filed with the Federal Power Commission an application for permission to construct additional pipelines for transmission of natural gas into the New England area.

The application was an amendment to a request filed by the transmission agency with the FPC on March 10, 1948. Its present plans call for transmission of almost 200,000,000 cubic feet of natural gas a day into Connecticut, Massachusetts, Rhode Island, and New Hampshire.

The amendment proposes transmission of up to 45 billion cubic feet of natural gas a year from compressor stations near Lebanon, Ohio, as far as Concord, New Hampshire, through a new pipeline.

If the application is approved, Texas Eastern's daily sales capacity would be increased from 740,000,000 cubic feet a day to 940,000,000.

Arkansas

City Councils to Have Final Word

GREATER Little Rock bus riders can appeal to their respective city councils if the state public service commission approves a permanent 10-cent fare for the Capital Transportation Company. Chairman Charles C. Wine of the commission recently reminded the councils they could act on their own initiative if they disapprove final findings of the state agency.

The chairman said the councils dictate the service of the company. "If they dictate this policy they ought to fix the fares." He pointed out that the commission has never attempted to regulate service of the Capital Transportation Company.

The matter of the increased rates, which the company is seeking, is before the commission because of a resolution of the Little Rock council.

Wine pointed out that service and rates are inseparable items in utility regulation. He said the present division of jurisdiction between the commission and the councils "doesn't make for good service or good rate making."

California

FPC Gives PG&E Lease

THE Federal Power Commission recently turned down demands of the Reclamation Bureau that power potentials on the Kings river be reserved for the Interior Department agency and granted the Pacific Gas and Electric Company a 50-year license to build and operate a hydroelectric plant in the basin.

The action was said to be a serious setback for the Reclamation Bureau, which has been engaged for years in disputes with other Federal agencies — notably the Army Engineers—about control over development in the Kings Canyon area.

Besides approving the PG&E application for a construction permit, the commission granted consent for enlargement of the private utility's Balch plant on the North Fork of the Kings river from 40,000 horsepower to about 160,000 horsepower and issued the Fresno Irrigation District a preliminary permit to investigate proposed development of a plant at Pine Flat dam, being built by the Army Engineers.

The Reclamation Bureau, which sev-

eral weeks ago sent Congress a "comprehensive plan" for development of California water resources, opposed both the PG&E and Fresno Irrigation District applications because they would interfere with its program.

District of Columbia

Gas Rate Increase Approved

THE District of Columbia Public Utilities Commission recently approved a 6.14 per cent increase in gas rates to District subscribers of the Washington Gas Light Company, effective November 16th. The company had asked for an increase of approximately 7 per cent.

The commission approved rate schedules designed to give the company additional annual operating revenues of $749,520, or some $150,000 less than the company had requested.

The increase will add 24 cents to the average consumer's monthly gas bill. For those homes using gas for heating as well as cooking, the hike will mean an 83-cents-a-month increase.

The minimum monthly gas bill was raised from 75 cents to $1.

Company Says Wages Adequate

PRESENT wage rates are "fair and adequate" and any increases would result in reduced service, a fare increase, or both, the Capital Transit Company declared recently before an arbitration board.

Speaking for the firm, E. J. Heberle, vice president and comptroller, opposed the request by union employees for 25-cents-an-hour increase and other benefits.

He made three supporting arguments:

1. "Full justice and equity has been done to our employees and their present rates are fair and adequate."

2. "Present earnings of the company are inadequate" and "any additional costs must be met by reduced service or increased fares or both."

3. "The present fare structure is already high . . . as the result of wage rates going up year after year."

Heberle said net income for the year ended last September 30th was $651,257 and is expected to drop to $88,200 for the next year, even without any change in wage rates. A sharp decline in revenue, resulting from the increased number of automobiles and cabs, was cited by Heberle.

He said wage costs had more than doubled in the eight years between 1941 and 1949 and the wage slice from each dollar of revenue has risen from 50 cents in 1941 to almost 59 cents presently.

The company's case was opened by Hawley Simpson, labor counsel for the firm. Simpson estimated the total cost of the union's wage and working condition request would run more than $4,000,000.

He said Washington fares already are at nearly the highest level in the country for privately owned public transportation.

Kansas

Questions Right of State to Fix Prices

THE state corporation commission's authority to fix the well-head price of natural gas in the giant Hugoton field has been challenged in the state supreme court.

Northern Natural Gas Company has appealed to the court to review a lower court decision upholding the regulatory agency's right to set a minimum price of 8 cents a thousand cubic feet for Hugoton gas. The appeal was from a decision of the Finney County District Court at

Garden City on September 24th. That court, after an extended review, approved the interim order of the corporation commission issued last February 18th.

The commission, in its order, said it was necessary to eliminate waste and protect "correlative right" to the field's resources—something the state commission has been empowered to do since 1935.

In fixing the gas price, Kansas became the second state in the nation to do so. Oklahoma was first.

Kentucky

Loan Pay-off Period Extension Approved

Two rural electric coöperatives were authorized recently to avail themselves of a new state law easing payments of loans obtained from the Federal government.

The 1949 special session of the Kentucky legislature extended the REA payment period for U. S. loans from twenty-five years to thirty-five years.

The state public service commission approved the application of the Fleming-Mason Rural Electric Coöperative, Flemingsburg, to extend the pay-off period to thirty-five years for an accumulation of $4,278,450 of loans it had obtained between August 10, 1938, and November 24, 1948.

The Fox Creek Rural Electric Coöperative, Lawrenceburg, was given similar permission to retire $1,163,800 of U. S. loans obtained between September 30, 1938, and February 24, 1949.

Commission Chairman Robert M. Coleman said the new law enables co-ops to pay less principal and interest annually on the loans and assign more of their income to service improvements and expansion.

Massachusetts

Contract for Natural Gas

Northeastern Gas Transmission Company recently signed contracts to supply the Lynn Gas & Electric Company and the Lowell Gas Light Company with natural gas for approximately 68,000 manufactured gas customers in the areas in eastern Massachusetts served by the companies. The contracts with these companies call for Northeastern to supply natural gas for a minimum of twenty years.

The mains of the two companies will be linked to a 500-mile, $17,000,000 natural gas pipe-line system which Northeastern will build to bring natural gas to New England cities.

Minnesota

Transit Fight Ended

A year-old contest for control of the Twin City Rapid Transit Company ended recently with the resignation of D. J. Strouse as president, and the election of Charles Green as his successor. In addition, seven of the nine directors resigned.

The resignation of Mr. Strouse and his associates occurred at a meeting of the directors last month when they decided to yield control of the company in advance of a meeting of stockholders scheduled for December 19th.

The former officer and the seven directors acknowledged that Mr. Green and his group had gained more than a majority of the 314,812 outstanding common and preferred shares.

New Jersey

Vote to Sell Municipal Plant

IN a November election referendum, voters of the borough of Franklin, New Jersey, voted 936 to 289 to sell the municipally owned electric system to New Jersey Power & Light Company for $103,400. This is the last municipal electric plant operating in the territory of New Jersey Power & Light Company.

For many years Franklin has purchased electricity from a local industry, the New Jersey Zinc Company, and sold it to approximately 1,100 residential and commercial users over its distribution lines. About a year ago the Zinc Company notified the borough that it would be unable to continue to supply Franklin's requirements. Following an appraisal of the property, New Jersey Power & Light Company submitted a bid of $103,400 and the question of sale was submitted to the voters last month.

The company would begin serving Franklin customers as soon as necessary physical changes in the system are completed.

Pennsylvania

Commission Approves Sale

THE state public utility commission last month approved purchase of three Cambria county utilities by the Pennsylvania Electric Company, Johnstown, for $300,000.

The commission said it took the action because it found that the transaction would result in reduced rates to the customers of the three utilities, the Gallitzin Electric Light Company, Cresson Electric Light Company, and Hastings Electrical Company.

Penelec said annual savings of $30,000 would be effected for customers by the application of Penelec's present rates to the territory served by the three small utilities.

Washington

Power Plan Fought

MAYOR C. D. McKern and members of the Newport town council were recently served with summons calling them to answer within twenty days to a complaint filed in superior court in which Public Utility District No. 1 of Pend Oreille county seeks an injunction restraining the town from proceeding with a move to install a competing electric lighting and power system.

The complaint recites that on June 3, 1949, the public utility district acquired from the Mountain States Power Company the system serving the town.

Wisconsin

Gas Restrictions Lifted

THE state public service commission last month lifted restrictions on gas distribution which were imposed on the Wisconsin Power & Light Company, Madison, in August, 1947. The company asked for the restrictions in 1947 because it was unable to get unrestricted amounts of liquid petroleum gas and was unable to expand gas production facilities.

The restrictions prohibited further applications for gas space or house heating and new orders from large commercial firms.

Progress of Regulation

Conflicting State and Federal Jurisdiction over Security Issues Resolved

THE Federal Power Commission dismissed a public utility company's application for authority to issue securities on the ground that it did not have jurisdiction. The proposed securities had been authorized by the public service commission of Kentucky in *Re* Kentucky Utilities Co. (Ky. 1949) 80 PUR NS 129. The Kentucky statute conferring jurisdiction upon the state commission to regulate the issuance of securities by a public utility company contains an exemption providing that the statutory section did not apply in any instance where the issuance of securities was subject to the supervision or control of the Federal government or any agency thereof. The Federal Power Act has a corresponding exemption.

Thus, the Federal Power Commission pointed out, by the literal language of the two statutes a perfect impasse would be established and the jurisdiction of neither commission could be firm unless the other commission properly construed its act as not applying. It could resolve the difficulty by such a construction of the Federal Power Act.

The Federal Power Commission held that the Federal Power Act was not intended to apply in such a situation. It believed this construction to be in accord with its conception of the policy of Congress not to provide Federal regulation of security issues where, absent such regulation, statutory provision for state regulation in a state in which the public utility was organized and operating would be operative. *Re Kentucky Utilities Co. (Docket No. E-6239).*

Adequate Return for Combined Electric and Gas Operations Precludes Gas Rate Increase

THE Connecticut commission denied a gas and electric company's application for authority to increase gas rates. The company's return upon net investment in combined gas and electric utility plant was found to be adequate to maintain its corporate credit.

It was also found that the proposed rates would exceed the value of service to the customer. The commission said that ordinarily this is not important as a legal test because economics set the upper limit, and, while basic economic laws work slowly, they work inexorably, despite governmental controls. However, in this particular case it felt that the upper limit or value-of-service criterion was a legal one.

The commission found that low earnings in the gas department were due to the high cost of producing gas, represented by the cost of gas in the holders. There are several tests of efficiency, but the commission believed the cost of gas-

in-the-holder test was the proper one since it determined the effect upon customers. It was pointed out that the company should either revamp and enlarge its gas-making plant, all at a substantial capital outlay, or endeavor to tide over the situation until natural gas becomes available.

Natural gas is now available for local distribution in the New York area. Therefore, it seemed reasonable to expect that by 1951 it would be available to the company seeking the rate increase and would enable it to avoid substantial additions to its gas manufacturing plant.

The rate increase would make the cost of gas higher than the cost of electricity. The commission felt that this would discourage customers in the commercial and residential classes from using gas. The only deterrent to an existing gas customer's converting to electricity would be the cost of conversion and the cost of obtaining required appliances. The proposed gas rates would also be close to the cost of bottled gas in the area, thereby exposing the company to loss of sales to this competitive fuel.

The commission said that it could not be a party to drying up the demand for gas service by forcing customers to the use of competitive fuels. Consequently, until natural gas was available for distribution, the solution appeared to lie in continuing unchanged the present level of gas rates. In the meantime, maintenance of the present level of rates would aid in retaining present business and should aid in attracting new business, to the end that the cost of gas in the holder would not increase further. *Re Connecticut Power Co. (Docket No. 8259).*

Higher Bus Rates for Regular Riders Than for Casual Riders Disapproved

THE New York commission disapproved a proposed bus rate schedule placing a higher charge against regular users of bus service than against casual riders. It felt that such a rate violated the fundamental policy of rate making. It differed from any in effect in any municipality in the state.

The commission observed that mounting costs of bus and other utility service are of great concern. Here that burden would be placed on those compelled to use bus service to earn their daily bread.

The company, as an alternative, asked permission to discontinue city service but not interurban business. The commission said that when a utility seeks to abandon its franchises or desires to be excused from the burden which it has assumed to serve the public, it is not sufficient for it to show that it is losing money; nor is it entitled to receive whatever fare its management desires. Before consent can be given to abandonment, the commission said, the company must show that it is unable to operate successfully under any conditions or under any fare structure which may be proposed.

It was the commission's opinion that the proposed remedy would not save the company. It felt that at most it might prolong the company's existence for a few days or weeks, but at the cost of further loss of customers and a lessened hope of adequate service by a well-financed bus company. Although denying this proposal, the commission said that it would be prepared to act promptly on any sound proposal by any interested party which afforded hope of saving the company. *Re Schenectady R. Co. (Case No. 14315).*

Higher Expenses Justify Rate Increase

A TELEPHONE company was allowed a rate increase by the Wisconsin Public Service Commission where it was apparent that its operating revenues had

not increased in proportion to increases in wages, salaries, and material cost. The commission found that the company had been financing new construction and replacement of plant out of current revenues rather than by borrowing or issuing additional shares of stock. This, the commission pointed out, was one of the causes of its difficulty.

The commission indicated that a rate structure should not provide for financing construction or plant replacement except to the amount provided by depreciation expense accruals and profits over and above legitimate operating expenses.

The rates authorized would yield the company a return of approximately 6 per cent on its rate base, which the commission considered reasonable and lawful. *Re Browntown Teleph. Co. (2-U-3072).*

Billing Dispute Basis for Injunction Action

A DISTRICT court's award of a temporary injunction to a telephone subscriber fearing service discontinuance was reversed by the Texas Court of Civil Appeals when the record did not indicate that injury would result from discontinuance or that the company actually was threatening to terminate telephone service.

The proceeding was the outcome of a dispute over a bill for $3.57. The company had been allowed a rate increase "effective on its next billing date." The date of the award happened to be a regular billing date, so the company put the new schedule into effect immediately.

The court, as an incident to its treatment of the injunction matter, decided that this action of the company was proper and that the subscriber was not overcharged. *Southwestern Bell Teleph. Co. v. Gohmert, 222 SW2d 644.*

Rate Increase Allowed to Further Improvements

THE Louisiana commission allowed a water utility a rate increase where present rates were inadequate and would not provide sufficient revenue to continue efficient service and to allow the company to embark on a program of needed improvements.

The commission rejected the company's request for a 25 per cent increase on the ground that, in view of the uncertainties pertaining to the actual plant expenditures during the years 1948 and 1949 and the probable additional revenues to be derived from plant additions, an arbitrary increase of 25 per cent would have possibilities of being excessive. *Re Gulf States Utilities Co. (No. 5023, Order No. 5188).*

Rising Costs Basis for Gas Rate Increase

INCREASED gas rates yielding a return of almost 5 per cent on the company's capital investment, including an allowance for working capital, materials and supplies, were approved by the Connecticut commission. The company had not increased rates for many years, in spite of higher wage levels and other costs experienced during and since the war period.

The commission regretted the need of authorizing a rate increase under circumstances of some economic distress in the area served. However, it believed that there was no alternative if the company was to maintain its credit for future capital expansion.

The company's fuel adjustment clause was designed to recover the increase over the basic cost of fuels used in the manufacture of gas. While the cost to the customer increases as the cost of fuels rises, likewise the cost to the customer declines when the cost of gas-making fuels de-

clines. For this reason the commission felt that the application of the fuel adjustment charge did not have any material effect on the company's utility operating income. *Re New Haven Gas Light Co. (Docket No. 8269).*

Existing Overheads Permitted under New Clearance Law

THE Indiana commission approved a petition requesting that it authorize the maintenance of all present structures over railroad tracks notwithstanding a new law requiring a greater clearance over tracks.

The commission thought that an error was made by the legislature in applying the new law to the "maintenance" of existing structures and that the legislature undoubtedly did not intend to require that the clearance of existing structures be raised to permit the new 22-foot clearance. The commission also indicated that petitions for variance for existing overheads would not have to be filed. *Re Legal Overhead Clearance for Railroad Tracks (No. 21445).*

Court's Reversal of Commission Order Improper

THE Minnesota Supreme Court reinstated a commission order awarding a certificate of convenience and necessity to a bus line when its examination of a reversal of the order by the district court indicated that that court had exceeded its jurisdiction.

The court found that there was evidence reasonably sustaining the commission award. Under such circumstances, the court added, the district court may not substitute its findings and judgment for the commission's.

The district court's holding that the commission order would result in confiscation of the property of a street railway and bus line already serving the community was rejected by the supreme court.

All the evidence in the case, the court said, supported the conclusion that none of the newly authorized operations would materially interfere with revenues of other carriers. *Twin City Motor Bus Co. v. Rechtzigel, 38 NW2d 825.*

Blanket Interstate Rates Sanctioned

A TRAFFIC bureau's petition to set aside orders and reports of the Interstate Commerce Commission which in effect established a blanket transportation rate for many points within a section of what is known as the southern territory was denied and dismissed by the Federal district court.

The court first pointed out that the establishment of such uniform rates was valid, within the jurisdiction of the commission, and consistent with the national transportation policy declared by Congress.

The traffic bureau countered this ruling by pointing out that under the rates established by the commission a shipment to Danville, Virginia, would cost the same as a shipment to Lynchburg involving 65 fewer miles, which differential, it claimed, was illegal under the Interstate Commerce Act. To this objection the commission replied that it had uniformly held that the act does not prohibit charging to a more distant point the same rate as that charged to an intermediate point.

A suggestion by the traffic bureau of an alternative method of integrating rate structures in the territories involved was summarily disposed of by the court. The court pointed out that after it had found that substantial evidence supported the commission findings and that the orders

based on these findings in no wise violated the act, it could press its inquiry no further. *Lynchburg Traffic Bureau v. United States et al. 84 F Supp 1012.*

Free-lance Motor Carrier Certificate Rejected

A COMMISSION dismissal of a motor carrier's application for authority to operate over irregular routes throughout the state was affirmed by the Virginia Supreme Court of Appeals. The carrier had not specified any routes or times in its petition and contended that it was entitled to a certificate permitting it to "run over all the roads in Virginia" and on "any and all highways without specifying any particular one."

The court ruled that under the Virginia law no "free-lance" carrier operation could be permitted. The type of certificate sought would contravene the public policy to prevent duplication of routes and limit competition.

The whole scheme of regulation would be imperiled if authority to serve were granted which was limited only by the boundaries of the state and the sufficiency of roads and bridges. *Wiley (O. C.) & Sons, Inc. v. Commonwealth ex rel. Hooker et al. 55 SE2d 44.*

Damage to Crossing Allocated between State and Railroads

A COMPLAINT by the state department of highways against several railroads for damage caused to a highway overpass by sparks and soot from coal-burning trains was allowed by the Pennsylvania commission.

The commission restated its jurisdiction over such a matter and added that it had power to order repairs and allocate expenditures.

The commission divided the cost of repairs equally among the railroads using the roadbed under the bridge and the state department of highways. The same allocation was used to divide the cost of constructing a blast protection strip on the underside of the bridge to prevent future damage. *Department of Highways v. Pennsylvania R. Co. et al. (Complaint Docket No. 14477).*

Court Decision on Appeal from Temporary Rate Order Withheld Pending Commission Action

THE Oklahoma Supreme Court withheld action on an appeal from an order denying increased temporary telephone rates pending final action on the company's application for a permanent rate increase. The company was, however, allowed to charge increased temporary rates under bond.

The court believed that it would be improper for it to attempt to determine the exact amount of additional income, if any, to which the company was entitled temporarily. Before making that determination, it wanted to have before it the findings and order of the commission made upon the application for the permanent increase. In the meantime, the court pointed out, the company was producing increased revenue, and the public was protected by the bond.

The commission contended that the company had income sufficient to pay operating costs and fixed charges, including interest on borrowed capital, with an amount over for common stock, and that no emergency existed. It argued that the company, therefore, was not entitled to increased temporary rates. The court overruled the commission, saying that where a proceeding before the commis-

sion for a rate increase will consume a considerable length of time, and the rates in effect do not yield a reasonable return, it is the commission's duty to permit a temporary rate increase sufficient to yield a reasonable return upon the utility's investment.

The court, however, affirmed an order denying a second temporary rate increase. All the evidence to be produced before the commission had been taken and the matter had been submitted. It was assumed that the commission would act upon the application for a permanent rate increase within a reasonable time. Furthermore, the rates being charged under bond yielded revenues considerably in excess of all expenses. The court held that it is unnecessary, unless the existence of a great emergency is shown, to grant repeated and excessive rate increases at short intervals of time. It believed this would be unfair to the public, which is entitled to some permanence in rates.

The court's action in awarding a supersedeas bond with respect to the first temporary rate increase did not divest the commission of jurisdiction to grant or refuse further temporary increases. Consequently, if the company desired a further increase it was its duty to file an application with the commission and make a showing that the rate it was then receiving was insufficient. *Southwestern Bell Teleph. Co. v. Oklahoma et al.*

Individuals Not to Be Charged for Hydrants

A WATER company's method of charging individual customers for fire protection service from hydrants on public highways was held to be obsolete. Accordingly, the company was ordered by the Connecticut commission to terminate that practice. The commission also ordered the company to change its method, so far as the future installation of additional hydrants on highways was concerned, by ceasing to charge customers requesting such service for the cost of installation and a hydrant rental.

The commission found that the rental charge for future hydrants should be borne by a fire district. It held that until it could consider the matter further, the charge to the fire district for each new hydrant installed could remain at $20 per hydrant per year. It also authorized the company to apply for a temporary rate to be paid by the fire district if the company and the district failed to agree as to which of them should bear the cost of future hydrant rentals and installation.

This ruling was made by the commission when it authorized a rate increase to restore the company's credit for the purpose of financing plant additions and improvements. It was found that in view of the company's high debt ratio to equity capital, some of the new money required by the company should be raised through the issue of common stock. The commission believed that the rate of return should be somewhat higher than that ordinarily allowed in a gravity water supply system. It authorized a return of 5.8 per cent. This allowance was made in recognition of the stability of the industry, tempered by the economic limitation on rates that could be charged. *Re Village Water Co. of Simsbury (Docket No. 8267).*

Free Interchange Service Discontinued

A TELEPHONE company's application to substitute its own switching for that of the exchange of a larger telephone company was denied by the Wisconsin commission. The area affected was located a short distance away from the community where the larger company maintained its exchange, and the life of the area's inhabitants centered around this larger community.

The company sought to require calls to be switched from its own office in a small town twice as far from the area and to deprive the subscribers of service to their community of interest except on a toll basis. The commission denied this petition on the ground that the public interest would not be served from the company's proposed switching revision.

The company also applied for permission to abandon interexchange service between two communities without toll charge. The commission granted this request when a peg count of the calls over this circuit indicated that traffic was very light. The commission pointed out that it is discriminatory to burden all subscribers with the cost of a service made use of by only a few. *Re Shields Teleph. Co. (2-U-3082).*

Reserve Required for New Gas Service

THE Federal Power Commission held that, in passing upon an application for authority to construct and operate facilities for the transportation or sale of natural gas in interstate commerce for resale purposes, it is not required to determine with preciseness the volume of gas available. It did say, however, that there must be sufficient evidence in the record to enable it to find with reasonable certainty that the dedicated gas reserves will enable the rendition of the authorized service for a period of years sufficient to justify the project from the standpoint of both the consumer and the investor. *Re Michigan-Wisconsin Pipe Line Co. (Docket No. G-1156, Opinion No. 180).*

Differential Allowed for Rural Battery Telephones

A TELEPHONE company was authorized by the Wisconsin commission to establish new rates which would allow it a return of 5.9 per cent on its net book value rate base where it appeared that present rates were inadequate.

The commission did not believe that it would be reasonable or practicable to allow any differential between rural metallic and rural grounded service. Immediate metalizing of all grounded circuits was suggested.

However, a monthly differential of 25 cents was allowed between the rural common battery and rural magneto service. The improved quality of the battery service and the additional maintenance which it required were considered adequate justification for the differential.

At the company's request, a rural extension rule limiting the company's obligation to extend rural lines to one-third of a mile was established. The cost of extensions beyond this limit would be borne by subscribers. *Re Black Earth Teleph. Co. (2-U-3118).*

Exemption from Competitive Bidding

THE Securities and Exchange Commission granted two nonaffiliated holding companies an exemption from the competitive bidding requirements of Rule U-50 with respect to the sale of their holdings of common stock of a small electric utility company. Their attempt to sell the securities pursuant to competitive bidding had been unsuccessful. Only a small fraction of the stock was in the hands of the public. There had been no opportunity to establish a market value for the stock and the company was isolated and little known, and the entire issue was relatively small.

The commission also pointed out that there was pending before the state commission of the state in which the subsidiary operated a proceeding to determine its rate structure. *Re Middle West Corp. (File No. 70-1957, Release No. 9260).*

Other Important Rulings

A WATER rate schedule enabling a customer owning all of the company's capital stock to realize a considerable discount in water rates on his tenement properties and at the same time to earn a return on his investment was held by the Massachusetts Department of Public Utilities to be unreasonably discriminatory as a matter of law. *Re Hardwick (DPU 7962).*

The Pennsylvania commission, in fining a motor carrier and ordering it to cease and desist unauthorized operations, restated the principle that a motor carrier cannot, by interchange with itself, combine two separately stated operating rights and in effect provide a through service. *Re Ruettger (Application Docket No. 66844).*

The Wisconsin commission, upon determining that the rates of a village water utility were inadequate, authorized a new schedule which would yield a return to the company of approximately 5½ per cent. The utility had first agreed to establish a meter-testing program and obtain testing equipment, and file with the commission a complete set of rules and regulations for its entire operation. *Re Village of Prairie du Sac (2-U-3116).*

The Michigan commission, in authorizing a telephone rate increase, held that service must be commensurate with the rates paid, and the company benefiting by the rate increase must adopt sufficient means to improve its plant and equipment to render better and more adequate service in order to enjoy a continuance of the new rates. *Re Dunning (T-382-49.1).*

Titles and Index

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TITLES

INDEX

KENTUCKY PUBLIC SERVICE COMMISSION

Re Kentucky Utilities Company

Case No. 1953
October 13, 1949

APPLICATION *for authority to issue securities, or in the alternative, dismissal of the application for want of jurisdiction; issuance of securities authorized.*

Interstate commerce, § 81 — Jurisdiction of state Commission — Security issues — Effect of Federal statute.

A state Commission having jurisdiction over the issuance of securities by a public utility company on the effective date of the Federal Power Act, under which the company is also a public utility, is not deprived of that jurisdiction by the Federal statute, since the latter statute was not intended to give the Federal Power Commission exclusive jurisdiction over the issuance of securities by a utility which is subject to the jurisdiction of a state Commission.

By the COMMISSION: Kentucky Utilities Company (the company) having filed herein its verified application seeking, in the alternative, an order dismissing the application on the ground that the Commission does not have jurisdiction, or an order authorizing the issuance of 25,000 shares of its 4¾ per cent preferred stock, par value $100 per share, and 165,500 shares of its common stock, par value $10 per share, and an investigation having been made by the Commission, the Commission being advised, makes the following findings:

I. *Jurisdiction*

The company is a "utility" as that term is defined in the statutes of Kentucky (KRS 278.010 et seq.) which fix the jurisdiction and powers of the Commission. The applicable language of the statutes with respect to the Commission's jurisdiction over the issuance of securities by a utility (KRS 278.300) is as follows:

"(1) No utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized so to do by order of the Commission.

. . . . . .

"(10) This section does not apply in any instance where the issuance of securities or evidences of indebtedness is subject to the supervision or control of the Federal government or any agency thereof. . . ."

Since June 15, 1934, the effective date of the foregoing provisions, utilities operating in Kentucky have consistently applied to this Commission for authorization before issuing and selling any securities.

If the issuance of securities by the

company is subject to the supervision or control of any Federal agency, it is because of the provisions of the Federal Power Act (16 USCA, § 824 et seq.). The company is a "public utility" as defined in that act. The Federal Power Act provides (§ 204 (a)) that no public utility shall issue any securities unless authorized so to do by an order of the Federal Power Commission, but also provides (§ 204(f)) that the foregoing provision shall not extend to "a public utility organized and operating in a state under the laws of which its security issues are regulated by a state Commission."

The provisions of the applicable Kentucky statute became effective June 15, 1934. At that date no Federal agency had jurisdiction with respect to the issuance of securities by the company. The Federal Power Act was approved August 26, 1935, but the provisions of that act relating to the jurisdiction of the Federal Power Commission with respect to the issuance of securities by a public utility did not become effective until February 25, 1936. When the provisions of the Federal Power Act became effective, this Commission had jurisdiction with respect to the issuance of securities by the company. There are no provisions in the Federal Power Act which can be considered effective to take from this Commission the jurisdiction which it possessed.

Furthermore, it is not believed that the provisions of KRS 278.300(10) were intended to relieve this Commission of jurisdiction over the issuance of securities of a utility which is organized under the laws of this state, and substantially all of the property of which is located in this state, unless Congress, in the exercise of some paramount and exclusive power should, by unequivocal language, give exclusive "supervision" and "control" over the issuance of securities to a Federal agency. Clearly the provisions of the Federal Power Act negative any intention on the part of Congress of giving the Federal Power Commission the exclusive power of regulating the issuance of securities by a utility, which utility is, with respect to the issuance of the securities, subject to the jurisdiction of this Commission.

The Commission has jurisdiction over the issue by the company of the securities herein referred to.

II. *The Appropriateness of the Securities*

It is established in the record that the proceeds of the securities proposed to be issued and sold are required by the company to pay or reimburse the company for the cost of additions, extensions, and improvements to its properties. Considering the kind and amount of each class of securities of the company now issued and outstanding, it appears that the issuance and sale of 25,000 shares of 4¾ per cent preferred stock of the company, par value $100 per share, and the issuance and sale of 165,500 shares of the common stock of the company, par value $10 per share, will not adversely affect the capital structure of the company.

The Commission therefore finds that,

(a) The securities proposed to be issued by the company are for lawful objects within the corporate purposes of the company;

(b) The securities proposed to be issued by the company are consistent

with the proper performance by the company of its service to the public as a utility and will not impair its ability to perform that service; and

(c) The securities proposed to be issued are reasonably necessary and appropriate.

RHODE ISLAND SUPREME COURT

New England Telephone & Telegraph Company

v.

Thomas A. Kennelly, Public Utility Administrator

Eq. No. 1948
— RI —, 67 A2d 705
June 30, 1949

APPEAL *from decree enjoining Public Utility Administrator from interfering with telephone company in immediately putting rate schedule into effect; reversed and remanded with directions. For decision by Administrator, see (1948) 77 PUR NS 469.*

Rates, § 5 — Governing statute — Legislative intent.

1. The legislature, in enacting the statute governing the fixing of public utility rates, had three main purposes in mind: first, to protect the public and the utility against improper or unreasonable rates by providing what it considered as a full, fair, and adequate administrative remedy, including an appeal de novo to a special administrative board; secondly, to secure ultimately to an aggrieved party a judicial review of such proceedings by an appeal to the supreme court; and, thirdly, to make the prescribed procedures the exclusive remedies in such matters, p. 134.

Injunction, § 14 — Jurisdiction of court — Presence of statutory remedy — Rates changes.

2. The statutory remedy provided for obtaining a change in public utility rates must be exhausted before an equity court will intervene, p. 137.

Injunction, § 14 — Petition for immediate rate increase — Finality of Administrator's ruling.

3. A ruling of the Public Utility Administrator that he would hear a motion for immediate partial rate relief after the company's direct evidence relating to permanent rates had been presented did not constitute an absolute denial of the request for immediate partial relief so as to entitle the

company to seek relief in equity, particularly where the Administrator never judged that in his opinion the company was confronted with an emergency, p. 140.

Return, § 16 — Right to earn — Changing conditions.

4. A telephone company is entitled to a fair return on its investment, but it has no right to assume that a return fixed by the Public Utility Administrator on a rate base established by him was to be, and remain, the same return on a rate base fixed by the company from a state of facts that the Administrator never had an opportunity to know or investigate, p. 141.

Rates, § 242 — Schedules — Filing requirements — Temporary relief.

5. The statutory requirement for the filing of a rate schedule with the Administrator, setting forth any proposed changes in rates, relates not only to the establishment of permanent rates but also to immediate temporary rates, and a company asking the Administrator for immediate temporary rate relief pending action on its application for a permanent rate increase must accompany that request with a schedule of proposed rates so that he may have a reasonable opportunity to perform his duty under the statute and to determine whether he should exercise his discretion in granting the request, p. 143.

Injunction, § 13 — Jurisdiction of court — Rate increase — Exhaustion of administrative remedy.

6. The superior court did not have jurisdiction to enjoin the Public Utility Administrator from interfering with a telephone company in putting increased rates into effect where the company not only failed to exhaust the administrative remedy prescribed by statute but also failed to initiate such proceedings properly before the Administrator in accordance with statutory requirements, since it is not the province of the courts to perform the administrative duty of framing a tariff of rates, p. 145.

(CONDON, J., dissents.)

APPEARANCES: Swan, Keeney & Smith, Eugene J. Phillips, Marshall Swan, all of Providence, for complainant; Abraham Belilove, Chief Special Counsel, Providence, William E. Powers, Attorney General, Edward F. J. Dwyer, Assistant Attorney General, for respondent.

O'CONNELL, J.: This is a bill in equity to enjoin the respondent in his capacity as Public Utility Administrator from interfering in any way with the complainant in immediately putting into full force and effect a certain rate schedule appended to and made a part of the bill. Following a hearing for a preliminary injunction, the superior court entered a decree granting such injunction in mandatory terms, and the operation thereof was then suspended by this court pending a hearing here on respondent's appeal therefrom. The cause is now before us on that appeal.

In view of the involved allegations and the situation presented by this bill we deem it advisable at the outset to explain our statute governing the fixing of rates for a public utility and to point out the particular provisions of the statute upon which the complainant seems to rely. The basic statute applicable here is General Laws 1938, Chap 122. Speaking generally,

this was amended by Public Laws 1939, Chap 660, commonly called the Administrative Act of 1939, and by PL 1940, Chap 821, which thereby vested the powers of the former division of public utilities in a Public Utility Administrator appointed by the director of business regulation. Therefore, when we refer to any provision of said Chap 122 the word "division" as therein used shall mean the Public Utility Administrator, hereinafter called the Administrator.

Section 45 of Chap 122, as amended, in so far as pertinent provides that every public utility shall file with the Administrator schedules, which shall be open to public inspection, showing all rates, tolls, and charges established and in force at the time for any service performed by it within the state. It also provides: "No change shall be made in the rates, tolls, and charges which have been filed and published by any public utility in compliance with the requirements of this section, except after thirty days' notice to the Division and to the public published as aforesaid, which shall plainly state the changes proposed to be made in the schedule then in force, and the time when the changed rates, tolls, or charges will go into effect."

That section further provides that upon receiving any notice from a public utility of proposed changes in rates, the Division is empowered "to hold a public hearing and make investigation as to the propriety of such proposed change or changes. After notice of any such investigation, the Division shall have power by any order served upon the public utility affected to suspend the taking effect of such change or changes pending the decision thereon, but not for a longer period than three months beyond the time when such change or changes would otherwise take effect. After such hearing and investigation . . . the Division may make such order in reference to *any proposed* rate, toll, or charge as may be proper. . . . *Provided,* that the Division may, *in its discretion and for good cause shown,* allow charges within less time than required by the notice herein specified, and without holding the hearing and investigation herein provided for, or modify the requirements of this section with respect to filing and publishing tariffs either in the particular instance or by general order applicable to special or particular circumstances or conditions." (Italics ours.)

Section 41 of that same chapter gives the Division power to permit any public utility to temporarily alter, amend, or suspend any existing rates, schedules, and order relating to or affecting any public utility or part of any public utility in this state, "when deemed by it necessary to prevent injury to the business or interest of the people or any public utility of this state *in case of any emergency to be judged of by the said Division.*" (Italics ours.)

Before its amendment, § 31 of Chap 122 gave a public utility aggrieved by any order of the Division the right to appeal to the supreme court on the ground that the charges so fixed were unlawful or unreasonaable. This section was repealed by § 261 of the Administrative Act of 1939 and §§ 124, and 125 of that act were substituted in its place and stead. Section 124 provides: "Within the department of business regulation there shall be a

public utility hearing board which shall function as a unit independent of the director and not subject to his jurisdiction." The public utility hearing board, hereinafter called the board, consists of three members.

Section 125 originally provided that any decision or order of the Administrator might be appealed to the board which was charged with the duty to make independent decisions in the matter. This section was amended in part by PL 1940, Chap 821, § 1, which provides as follows. The Public Utility Administrator may "in the first instance" make such decisions and issue such orders as may to him seem proper; any person aggrieved by any such decision or order shall have the right to appeal to the board within a certain specified time, which board shall then, sitting "as an impartial, independent body in order to make decisions affecting the *public interest and private rights,*" proceed to hear the appeal "de novo as to both the law and the facts and its decisions shall be based upon the law and upon the evidence presented before it by the Public Utility Administrator and by the parties in interest." (Italics ours.)

Section 125, as amended, further provides that the Public Utility Administrator or any other party in interest, if aggrieved by any order of the board, may appeal therefrom to the supreme court by following a certain procedure, which court shall then hear and determine the questions at issue in the manner therein indicated. The section concludes with the pronouncement that "the procedures established by this section shall constitute the *exclusive* remedies for persons aggrieved by any order or decision of the Public Utility Administrator or of the public utility hearing board." (Italics ours.)

[1] When GL 1938, Chap 122, as amended, is stripped of procedural details and fairly construed as a whole it is our opinion that the legislature had three main purposes in mind in enacting such legislation: first, to protect the public and the utility against improper or unreasonable rates, tolls, and charges by providing what it considered as a full, fair, and adequate administrative remedy, including an appeal de novo to a special administrative board; secondly, to secure ultimately to an aggrieved party a judicial review of such proceedings by an appeal to this court; and thirdly, to make the prescribed procedures the exclusive remedies in such matters.

We will now turn to the allegations in complainant's bill, which when read as a whole presents a perplexing situation. It appears therefrom that on June 3, 1947, the complainant, hereinafter called the company, filed with the respondent Administrator a revised schedule of rates, estimated to yield $2,700,000 additional revenues, as a substitute for the schedule then in force. The Administrator, under the provisions of the statute, thereupon suspended the effective date of such proposed rates for the period of three months, pending his investigation. Due to the nature and extent of the investigation, the time within which he was required to give his decision was further extended by stipulation of the parties and by a special act of the legislature. On March 31, 1948 (see 77 PUR NS 469), the Administrator by his order No. 6162 fixed a new

rate base and established a schedule of rates calculated to increase the company's revenues by $1,200,000, which according to *such rate base* would in his judgment yield a return of 5.6 per cent to the company. From this order the company duly appealed to the board, where it was entitled to a hearing "de novo as to both the law and the facts."

But notwithstanding the taking and pressing of such appeal, the company on April 15, 1948, presented to the Administrator for his approval a "proposed schedule of rates" for the purpose of obtaining immediately increased revenues in the amount of $1,200,000 annually. The Administrator, by his order No. 6168, dated April 15, 1948, approved such proposed schedule of rates which went into effect the next day. At all times from and after April 16, 1948, the company has been receiving such increased revenues in accordance with the schedule of rates thus approved.

While order No. 6162 was pending on appeal before the board, the company on October 15, 1948 filed with the Administrator another and new revised schedule of permanent rates estimated to yield additional annual revenues of $2,656,500 over and above the amount of $1,200,000 allowed by the Administrator's order No. 6168. This new schedule also was suspended by the Administrator pending investigation and December 20, 1948, was set as the date for the beginning of hearings thereon. In support of this revised schedule of October 15, 1948, the company claimed, according to its allegations in the bill, that through experience the schedule approved by the Administrator on April 15, 1948, in his order No. 6168 had proven inadequate to produce the earnings and return allowed the company in that order because of increases in wages and also because the company among other things "had made *substantial increases in its investment* for the purpose of furnishing telephone service to the people of Rhode Island." (Italics ours.)

At some unspecified date prior to the hearing on December 20, 1948, the company filed with the Administrator in that proceeding a written motion for immediate relief without prejudice to the filing of October 15, 1948, or to any of its other rights. By this motion the company requested the Administrator, "pending and without prejudice to a full hearing" on said filing of October 15, 1948, which was then before him, to authorize it to file and put into effect on one day's notice a schedule of rates which would increase its annual revenues $1,113,000 over and above the $1,200,000 then being produced by order No. 6168.

The aforesaid motion was argued to the Administrator on December 20, 1948. He then ruled that he would hear evidence thereon at the conclusion of the company's *direct* evidence respecting the October 15, 1948 schedule. The bill further alleges that this action of the Administrator constituted a denial of the company's request for immediate partial relief; that on the basis of the actual operating experience for the ten months ending October 31, 1948, it had failed to earn the 5.6 per cent rate of return which the Administrator had ruled it was entitled to receive; and that according to its own books and computations it was incurring a loss of more

than $9,000 before contract debt expense, and had fallen short by $467,000 of meeting its intrastate costs of operation and its contract costs of debt capital allocable to Rhode Island intrastate property.

On December 30, 1948, the company filed in the superior court sitting in equity its first bill of complaint against the administrator, resting its claim for relief in that court on the ground that its property was being taken for public use without just compensation for the above-stated reasons. While prosecuting that bill, however, the company also continued to press before the Administrator its claim with reference to the October 15, 1948, schedule and its related motion for additional immediate and temporary relief in the sum of $1,113,000. The hearings in that matter before the Administrator, which began December 20, 1948, were concluded on January 7, 1949. Just before the close of the hearing on the latter date, the company presented another motion to the Administrator asking that it be allowed rates that would yield "approximately $1,000,000 more in gross revenues than the $2,656,500 from the rates filed October 15, 1948" in order that it might earn "at least 7 per cent on the net intrastate investment."

While an appeal by the Administrator from the decree of the superior court on the first bill in equity was pending before us, he, on February 15, 1949, entered his decision, identified as order No. 6357, denying without prejudice the October 15, 1948 schedule and also denying the two motions for additional temporary relief hereinbefore described. On February 17, 1949, the company duly appealed from that order to the board, and on the following day the first bill of complaint was voluntarily discontinued by stipulation of the parties. However, on the same day, February 18, 1949, the company, notwithstanding its appeal under the statute to the board, brought the present bill in the superior court claiming that the above-mentioned order No. 6357 was "confiscatory in that it will result in the taking of the company's private property for public use without just compensation, contrary to the statutes and Constitution of Rhode Island."

In addition to the allegations already stated, the present bill further alleges that "On the basis of the actual operating experience for the ten months ended October 31, 1948," the company had not only failed to earn the rate of return which the Administrator had ruled it was entitled to receive according to orders Nos. 6162 and 6168 but also that under the schedule thereby put into effect it was operating at a substantial loss as hereinbefore stated. It further alleges that it requires the sum requested as partial relief "to expand its plant in Rhode Island more than has already been done"; to furnish additional adequate telephone service to the people of this state; to improve its earnings so as to attract "additional new capital required to carry on the construction projects necessary to furnish adequate service"; to cover its costs for increased wages since the date of the Administrator's order and other commitments according to its own estimates; and to protect itself from further impairment of its financial credit.

It is important to note at this point that there is no allegation in the present

bill that the company ever filed with the Administrator any schedule of rates as a basis for and in support of its motion of December 20, 1948, for additional immediate partial relief in the sum of $1,113,000 and the motion itself, which is attached to the bill, contains none. Nor does the present bill allege that the company filed with the Administrator any schedude of rates to support its motion of January 7, 1949, seeking additional and still further immediate partial relief in the sum of $1,000,000.

The prayer of the present bill is that the Administrator be enjoined both temporarily and permanently from compelling the company to continue to collect only the rates which he has approved and are now in effect, on condition, however, that it "shall not charge rates in excess of those set out and described in Schedule B filed with the bill of complaint," and upon the further condition that it file in this cause its written undertaking secured by a bond to be approved by the superior court to make any refunds to its customers which that court might direct in its final decree. Upon a hearing for preliminary injunction the trial justice granted the prayers of the bill in all their terms as fully as if he had heard it on the merits. Thereupon the Administrator duly appealed to this court which granted his motion to stay operation of that decree pending hearing and determination of the appeal.

It must be obvious that the company is pursuing both administrative and judicial remedies at the same time, at least in so far as the motion for immediate temporary relief in the sum of $1,113,000 in connection with the October 15, 1948, schedule is concerned. Because of this it is difficult to tell from the bill whether the company relies for judicial relief upon its compliance with an unspecified provision of the statute, or whether it believes that, irrespective of the statute, it may invoke the assistance of a court of equity by merely claiming confiscation based solely on its own alleged experience, separation factors and computations, thus avoiding the administrative remedy prescribed by the statute. Under either of these contentions the basic and controlling question in this cause is whether the superior court in the circumstances as they appear from the bill had jurisdiction in the matter.

[2] We are of the opinion that where an adequate statutory remedy is provided the company cannot first proceed in equity for immediate partial relief. It is undeniable that the public is vitally interested in the rates to be charged by a public utility and that the ultimate purpose of the legislature in enacting the statute with reference to the manner in which such rates should be fixed or changed from time to time was to secure the orderly promulgation of rates that would be reasonable and just to the company and to the public. Furthermore, as the fixing of rates of a public utility is generally recognized as in essence a legislative rather than a judicial function, it is clear to us that it was not the intention of the legislature to constitute the superior court sitting in equity as in effect a rate-making body in the first instance.

Our examination of the many cases dealing with the necessity of exhausting the prescribed administrative remedies before recourse may be had

to judicial proceedings shows that where a remedy for the fixing or altering of rates is prescribed by statute, such remedy must ordinarily be exhausted before a court of equity will intervene. This general principle is supported by the great weight of authority. It is so universally accepted that we need not refer at any length to the many cases in support thereof. We therefore confine ourselves to the following cases as illustrative.

In Myers v. Bethlehem Shipbuilding Corp. (1938) 303 US 41, 82 L ed 638, 58 S Ct 459, the Supreme Court held that a Federal district court was without jurisdiction to enjoin the National Labor Relations Board from holding a hearing upon a complaint filed by it against an employer alleged to be engaged in unfair labor practices. At pp. 50, 51 of 303 US, at p. 463 of 58 S Ct of that opinion, the court, in discussing the principle of the exhaustion of administrative remedy, used the following language: "The corporation contends that, since it denies that interstate or foreign commerce is involved and claims that a hearing would subject it to irreparable damage, rights guaranteed by the Federal Constitution will be denied unless it be held that the district court has jurisdiction to enjoin the holding of a hearing by the Board. So to hold would, as the government insists, in effect substitute the district court for the Board as the tribunal to hear and determine what Congress declared the Board exclusively should hear and determine in the first instance. The contention is at war with the long-settled rule of judicial administration that no one is entitled to judicial relief for a supposed or threatened injury until the prescribed administrative remedy has been exhausted. . . . Obviously, the rule requiring exhaustion of the administrative remedy cannot be circumvented by asserting that the charge on which the complaint rests is groundless and that the mere holding of the prescribed administrative hearing would result in irreparable damage."

In the same case the court also passed upon the constitutionality of a provision in the statute making the administrative procedure the exclusive remedy for relief to be followed before application for relief could be made to the court. At p. 48 of 303 US, at p. 462 of 58 S Ct, in declaring that the district court lacked jurisdiction, the court stated: "The grant of that exclusive power is constitutional, because the act provided for appropriate procedure before the Board and in the review by the circuit court of appeals an adequate opportunity to secure judicial protection against possible illegal action on the part of the Board."

In St. Clair v. Tamaqua & P. Electric R. Co. 259 Pa 462, PUR1918D 229, 103 Atl 287, 5 ALR 20, the court affirmed on appeal two orders denying injunctive relief and dismissing the bill of complaint on the ground of lack of jurisdiction. At pp. 468, 469 of 259 Pa, at p. 232 of PUR1918D, at p. 289 of 103 Atl, the court, in discussing the necessity of a public utility to apply to the Public Service Commission in accordance with the provisions of the statute before the courts could be resorted to for relief, used the following language: "Since the Public Service Company Law has been upon our books, we have consistently adhered to the rule that matters within the jurisdiction of the Commission

must first be determined by it, in every instance, before the courts will adjudge any phase of the controversy (Bethlehem City Water Co. v. Bethlehem [1916] 253 Pa 333, 337, 338, 98 Atl 646; New Brighton v. New Brighton Water Co. [1915] 247 Pa 232, 240–242, 93 Atl 327); and it is plain that orderly procedure requires an adherence to this practice, otherwise different phases of the same case might be pending before the Commission and the courts at one time, which would cause endless confusion. . . . 'The disposition everywhere is to commit questions relating to the regulation and to the rates of public service corporations, to the supervisory powers of special tribunals, and, concededly, matters of this character are within the domain of legislative action.' "

In Abelleira v. District Court of Appeal (1941) 17 Cal2d 280, 109 P2d 942, 132 ALR 715, which was a proceeding in prohibition to restrain the district court of appeal from enforcing a writ of mandate and temporary restraining order directed against the California employment commission, the writ was granted. At pp. 291, 292 of 17 Cal2d, at p. 949 of 109 P2d the court in overruling the order of the district court used the following language: "The employers have no standing to ask for judicial relief because they have not yet exhausted the remedies given them by the statute. They still have their appeal to the Commission, which appeal has not yet been decided adversely to them, and prior to the prosecution of this appeal they have no right to demand an extraordinary writ from a court. 'This is the doctrine of "exhaustion of administrative remedies."' " The court then cites twenty-two cases in support of this proposition, including eight cases decided by the United States Supreme Court and seven decided by other Federal courts. In accord with those cases see United States v. Illinois Central R. Co. (1934) 291 US 457, 78 L ed 909, 54 S Ct 471; Natural Gas Pipeline Co. v. Slattery (1937) 302 US 300, 82 L ed 276, 21 PUR NS 255, 58 S Ct 199; McCollum v. Southern Bell Teleph. & Teleg. Co. 163 Tenn 277, PUR1932 A 462, 43 SW2d 390; West New York v. Public Utility Comrs. 105 NJ Eq 438, PUR1930B 330, 148 Atl 402; Cadillac v. Citizens' Teleph. Co. (1917) 195 Mich 538, 161 NW 989.

There are some exceptional cases where, because of unusual circumstances, the equity court has taken jurisdiction. Among those cases relied upon by the company are the following: Smith v. Illinois Bell Teleph. Co. 270 US 587, 70 L ed 747, PUR 1926C 754, 46 S Ct 408; Prendergast v. New York Teleph. Co. 262 US 43, 67 L ed 853, PUR1923C 719, 43 S Ct 466; Oklahoma Nat. Gas Co. v. Russell, 261 US 290, 67 L ed 659, PUR1923C 701, 43 S Ct 353; Southern Bell Teleph. & Teleg. Co. v. Public Service Commission (1948) 203 Ga 832, 75 PUR NS 471, 49 SE2d 38; Staten Island Edison Corp. v. Maltbie (1947) 296 NY 374, 68 PUR NS 129, 73 NE2d 705; Public Service Commission v. Indianapolis Railways (1947) 225 Ind 30, 70 PUR NS 480, 72 NE2d 434; Columbus Gas & Fuel Co. v. Columbus, PUR1927C 639, 17 F2d 630; Trautwein v. Moreno Mut. Irrig. Co. (1927) 22 F2d 374. But none of those cases, in our opinion, hold that the company may go into

equity *regardless* of a procedural statute that provides an adequate remedy, and particularly where the statute, as here, expressly makes the procedure therein specified the exclusive remedy.

Upon examination of all the cases cited to us by the company in which relief has been granted in equity we find that they may be grouped generally in these categories: 1. Where the question of jurisdiction or exhaustion of administrative remedies was not raised by either of the parties. 2. Where the court review provided by code or statute was held to be legislative rather than judicial. 3. Where jurisdiction in equity was specially provided for by code, statute, or rule. 4. Where there is either no statutory method of relief provided or where the statute makes no provision for judicial review. 5. Where the administrative remedies provided are in the alternative and the aggrieved party has the choice of remedies. 6. Where the court has determined that the administrative remedies have been exhausted. 7. Where the court has determined that, although the administrative remedies have not been exhausted, it would be futile to pursue them because the administrative agency has indicated its refusal to consider them or where inaction or long delay in making its decision has in effect amounted to a denial of such remedy. 8. Where the statute does not provide that the statutory remedy shall be the exclusive remedy. Here the statute provides both an adequate and exclusive remedy. An analogous grant of exclusive power was held constitutional, 303 US at p. 48, 58 S Ct 459 of the opinion in Myers v. Bethlehem Shipbuilding Corp., *supra*. In our opinion the instant cause is clearly distinguishable from the type of cases upon which the company relies.

[3] According to our understanding of the company's other main contention its ultimate position is that if it could not go into equity regardless of the statute, then in the circumstances of this cause it had exhausted the administrative remedy when the administrator, according to the company's interpretation of his decision of December 20, 1948, denied its motion for immediate temporary relief in the sum of $1,113,000. It appears from the allegations in the bill and the undenied argument before us that the company's claim to such additional revenues for immediate temporary relief was premised on a rate base fixed by the company from a breakdown of its receipts and expenditures as they appeared on its books over a period of some ten months of actual operation from and after April 15, 1948, when the Administrator had allowed the company to increase its rates so as to provide additional revenues in the sum of $1,200,000. In other words, the loss that the company claims to have sustained during that period is computed on a rate base of its own making which was *different* from the rate base fixed by the Administrator in his order of April 15, 1948, and it is not alleged that the company's rate base was ever investigated or approved by the Administrator.

The company's contention is premised basically on the assumption that the Administrator was of the opinion that the increased rates allowed by him on April 15, 1948, would earn a rate of return of 5.6 per cent, and therefore that such returns should there-

after always be earned by it, irrespective of whatever expenditures it might decide upon or be obliged to make in the future with reference to capital investment, expansion of service, increase in wages and other prospective expenses. From such assumption it proceeded to fix a rate base of its own on its undefined operations for a period of about ten months, including also contemplated future expenditures for new undertakings, and then, finding that it had failed to earn a return of 5.6 per cent on that self-created rate base, it applied to the Administrator for immediate partial relief in the sum of $1,113,000 in order to maintain that return. Upon the Administrator's ruling that he would hear that motion after the company's direct evidence had been presented, the company treated such ruling as an absolute denial of such request and immediately sought relief in equity claiming that the existing rates were confiscatory. The company further contends, as we understand it, that the grant or denial of immediate temporary relief rests solely with the administrator; that the statute does not require or permit an appeal to the board in case of an adverse decision; and that in any event the statutory remedy is entirely inadequate in a case of emergency.

[4] The company's contentions as thus interpreted by us from a confused situation are ingenious but in our judgment unsound. We first note that the Administrator did not refuse to consider the company's motion of December 20, 1948, for immediate partial relief and that therefore in the circumstances it was not warranted in treating his action at that time as an absolute and final denial of that motion.

According to the bill itself and the exhibit attached thereto, the motion was made at the beginning of the hearing before the Administrator on the company's filing of a revised schedule for new rates intended to increase the annual gross income by $2,656,500 over and above any rates then in effect. When the company asked that the motion be heard immediately, irrespective of any particular connection with the main issue then before the Administrator, the latter merely ruled that he would not hear evidence on the motion until after the conclusion of the company's *direct* evidence with reference to the October 15, 1948, schedule. The company's claim that this constituted an unqualified denial of its motion is unwarranted. Fairly construed that ruling amounted to nothing more than to defer the hearing on the motion for a relatively short time, as the entire hearing on the main question then before the Administrator was completed on January 7, 1949.

The company's further contention to the effect that by the Administrator's ruling of April 15, 1948, it was assured a return of 5.6 per cent on its future activities and expenditures, whatever they might be, is based upon pure assumption. The company was undoubtedly entitled to a fair return on its investment, but it had no right to assume that a return fixed by the Administrator on a rate base established by him was to be and remain the same return on a rate base fixed by the company from a state of facts that he never had an opportunity to know and much less to investigate. The statute does not charge the Administrator with the duty of fixing a rate of return that shall remain invari-

able under all conditions. If he deemed a return of 5.6 per cent reasonable on a rate base fixed by him after full investigation, it does not follow by any means that the company can establish a different rate base of its own and then claim that because it is not earning a return of 5.6 per cent thereon its property is being confiscated.

The company cites no authority for its contention in this respect. However, in speaking of the return on the investment of a public utility, the Supreme Court in Federal Power Commission v. Natural Gas Pipeline Co. (1942) 315 US 575, 590, 86 L ed 1037, 42 PUR NS 129, 140, 62 S Ct 736, 745, used the following language which is pertinent in the case at bar: "But regulation does not insure that the business shall produce net revenues, nor does the Constitution require that the losses of the business in one year shall be restored from future earnings by the device of capitalizing the losses and adding them to the rate base on which a fair return and depreciation allowance is to be earned. Galveston Electric Co. v. Galveston, 258 US 388, 66 L ed 678, PUR1922D 159, 42 S Ct 351; San Diego Land & Town Co. v. Jasper (1903) 189 US 439, 446, 447, 47 L ed 892, 23 S Ct 571, 573, 574. The deficiency may not be thus added to the rate base for the obvious reason that the hazard that the property will not earn a profit remains on the company in the case of a regulated, as well as an unregulated, business." See also New England Teleph. & Teleg. Co. v. State (1949) 95 NH 353, 78 PUR NS 67, 64 A2d 9.

In the instant cause if the company ascertained after ten months of experience that it was not earning a fair return on its investment due to a policy of expansion on its part, or to generally changed economic conditions, or to a combination of these and other causes as alleged, it had a remedy. That remedy was to ask for a revision of the rates in accordance with the statute rather than to formulate a new rate base of its own and then resort to a court of equity claiming that it was not earning the return previously fixed by the administrator under different conditions and after full investigation.

But the company also contends in effect that it was confronted with an "emergency" which entitled it to immediate temporary relief, and that the Administrator should have granted such relief *forthwith,* because it was not earning a return of 5.6 per cent on a rate base fixed by itself. Yet, as we have already stated, it fails to indicate by any specific allegation in the bill or otherwise the precise provision in the statute upon which it rests that claim. In our judgment the only provisions of the statute that the company can possibly invoke are § 41 and the proviso in § 45, Chap 122, as amended.

Briefly restated, § 41 gives the Administrator power to permit a public utility to temporarily alter, amend or suspend any existing rates in case of any emergency *to be judged of by him* and to have relief only when deemed *by him* necessary to prevent injury to the business of the utility. Without intending in any manner to construe the meaning of the word "emergency" in that section, the weakness in such contention is that the Administrator never judged that in his opinion the

company was confronted with an emergency. In the circumstances such a condition was assumed to exist by the company and was not determined by the Administrator, as is expressly his right and duty under the statute.

To avoid such a conclusion the company argues that when the Administrator refused to consider *forthwith* evidence with reference to its motion of December 20, 1948, he in effect denied its motion for immediate temporary relief. This argument is unconvincing for the reason that what the company construes as an absolute denial was merely a ruling postponing the requested hearing for a relatively short time until the Administrator had heard the company's direct evidence on the main issue to which the motion was related. Therefore if the motion is considered under § 41 of the statute we find that the company never complied with its provisions, never exhausted its remedy thereunder and was not in fact denied relief by the Administrator at that time.

[5] We reach a similar conclusion if the company's motion is considered under the proviso in § 45. It is there provided that the Administrator *in his discretion and for good cause shown* may allow charges within less time than required by the notice and without holding the hearing and investigation as specified in that section, and may otherwise in special circumstances modify the requirements thereof as to the filing and publishing of tariffs. In our opinion that proviso was added to give the Administrator adequate power to grant immediate temporary relief in a proper case. In the circumstances of this cause, however, the company can derive no benefit from this proviso for the same reasons given by us in discussing § 41. By it own impatience and implusive conduct at the hearing of its motion on December 20, 1948, the company practically denied itself the opportunity to show "good cause" for its request for immediate temporary relief and also prevented the Administrator from proceeding according to the statute and from exercising *his discretion* in determining whether sufficient cause was shown to warrant additional immediate temporary relief pending determination of the merits of the company's appeal to the board.

In addition to the matters hereinbefore discussed, there is a further and even more fundamental reason that militates strongly against the company's contentions. Section 45 requires the filing of a schedule with the Administrator setting forth *any proposed changes* in rates. It may be argued that such provision relates only to the establishment of permanent rates and that it is inapplicable where only immediate temporary relief is requested. Such an argument is not convincing.

There is nothing in that section or elsewhere in the statute which excuses the company from filing a schedule with the Administrator in the case of a request for any proposed change in rates whether temporary or permanent. As a matter of fact its plain intent is clearly to the contrary. While the proviso in that section gives the Administrator power, in his discretion and for good cause shown, to allow charges within less time than required by the notice without holding a hearing, and otherwise to modify the requirements of the section with respect

"to filing and publishing tariffs" in special circumstances, there is nothing in that section to warrant the assumption that upon a motion for immediate temporary relief the company can relieve itself of the obligation to present to the Administrator for his consideration a proposed schedule of rates to yield the additional gross revenues deemed by it necessary. It is inconceivable to us that the legislature intended to allow the utility to proceed on its bare request for immediate temporary relief under the proviso without accompanying that request with a schedule of proposed rates so that the Administrator acting in his official capacity might have a reasonable opportunity to perform his duty under the statute and to determine whether he should exercise his discretion in granting such request.

Significantly the bill has appended to it as a part thereof a schedule of rates upon which the court was requested to act. As already stated, however, there is no allegation in the bill that any schedule of rates covering the company's request for immediate temporary relief was ever filed with the Administrator in connection either with its motion of December 20, 1948, or that of January 7, 1949. This fact, although stressed by the respondent at the hearing before us, was not denied by the company. Moreover, the schedules attached to the bill nowhere indicates what revenues would be returned by those rates if put into actual operation. Whether such schedule would produce revenues of $1,113,000, or $1,000,000, or the total of those two sums, or in excess of $2,656,500 under the company's proposed revised schedule of October 15 1948, is left to conjecture and speculation.

The public, which has at all times a definite interest in the rates that it must pay for the services of a public utility, should not be forgotten or left in the dark respecting any changes in existing rates and the amount of revenue that the utility expects to receive under any proposed schedule, whether temporary or permanent. In the instant cause the company sought approval by the superior court in the first instance of a schedule of rates which might produce any amount of revenues within or without the limits just above mentioned.

Before expressing our final conclusion the following facts should be recalled.

1. This cause does not present a case where the company's rates have been reduced, or where it has been deprived of the benefits of any increase in its existing rates pending determination of the proposed revision of the permanent rate schedule filed October 15, 1948 and now before the board on the company's appeal.

2. Our statute provides for administrative procedures with an ultimate judicial review, and expressly makes those procedures the exclusive remedy in cases of this kind.

3. The Administrator has ample power under either § 41 or § 45 of the statute, upon a proper application and showing, to order immediate temporary relief as complete as was granted by the superior court sitting in equity.

4. An appeal under the statute lies from any "decision or order" of the Administrator to the board where the case must be heard "de novo as to both

the law and the facts," thereby necessarily vacating any decision or order of the Administrator from which an appeal is taken.

5. The Administrator did not deny the company's motion for additional immediate temporary relief in the sum of $1,113,000 when such motion was presented by the company on December 20, 1948. He merely deferred his determination thereof for a relatively short time until the company presented its *direct* evidence upon the revision of the permanent rate schedule filed October 15, 1948, with which the motion was related.

6. The company, however, did not see fit to wait for action on its motion until its presentation of such direct evidence. But on December 30, 1948, although at the same time continuing to present evidence before the Administrator in the proceeding to which that motion was related, it nevertheless filed in the superior court its first bill in equity and later filed its present bill seeking to put into immediate effect a schedule of rates attached thereto and to enjoin the Administrator from preventing the filing and operation of such rate schedule.

7. The Administrator, by approving the proposed schedule of rates requested by the company on April 15, 1948, in effect granted to the company substantial immediate temporary relief to the extent of $1,200,000.

8. There is no allegation in the bill, directly or by reference, and no claim is made in argument that the company ever filed with the Administrator any proposed schedule of rates in connection with either of its motions for additional immediate temporary relief.

9. The schedule appended to the instant bill and approved by the court upon a motion for temporary injunction was based upon a rate base which was *fixed by the company* and never investigated, approved or allowed by the Administrator.

[6] After careful consideration of the instant cause we are of the opinion that the company not only failed to exhaust the administrative remedy which is prescribed in the statute but also failed to initiate such proceedings properly before the Administrator in accordance with such statutory requirements. Under these conditions recourse to a court for equitable relief is plainly an evasion of the statute, as it is not the province of the courts to enter upon the mere administrative duty of framing a tariff of rates. Covington & L. Turnpike Road Co. v. Sandford (1896) 164 US 578, 41 L ed 560, 17 S Ct 198. It is therefore our opinion that the superior court in the existing circumstances was without jurisdiction to entertain this bill.

The respondent's appeal is sustained, the decree appealed from is reversed, and the cause is remanded to the superior court with direction to enter a decree denying and dismissing the bill of complaint.

CONDON, J. (dissenting): I am constrained to dissent because, in my opinion, the superior court had jurisdiction to grant the preliminary injunction under review if the evidence clearly showed confiscation under existing rates. The issue raised by the complainant's bill was solely that, and not whether such rates were fair and reasonable. It was, therefore, a purely judicial question cognizable by the superior court in equity. I agree that if it were a question merely of fixing

fair and reasonable rates it would be legislative, and hence exclusively within the province of the administrative process prescribed by statute. The determination of such an issue cannot be removed to a court even for review of error of law until the administrative remedy is exhausted. Myers v. Bethlehem Shipbuilding Corp. (1938) 303 US 41, 82 L ed 638, 58 S Ct 459.

On the other hand, the resolution of an issue of alleged confiscation of property in defiance of due process of law is beyond the exclusive province of the administrative process and cannot be confined within it by the legislature, although the legislature may vest in an administrative officer concurrent authority with the courts to grant relief from such invasion of constitutional right. However, under the judicial system in this state, a grant of power of that kind cannot divest the superior court of its exclusive original jurisdiction in such a case, unless that jurisdiction is transferred to some other *court*. In other words, such authority is judicial and must be vested in a court. Whether the opportunity for obtaining from an administrative officer relief under a statute, as for example § 41 or the proviso in § 45, is in fact adequate for the protection of complainant's constitutional right against alleged confiscatory rates is a proper question for the superior court in determining whether it is necessary to exercise its equitable powers in order to afford complainant such protection. That is to say, it may deny relief in equity because in its opinion complainant has an adequate remedy at law, but in any case it has *jurisdiction* either to grant or deny relief.

The authorities are in agreement on this point. "We find no decision of any American court," the supreme court of Georgia very recently said, "where it has been held that when confiscation is clearly shown the court will refuse an appeal of the injured party for a judgment protecting his constitutional right." Southern Bell Teleph. & Teleg. Co. v. Public Service Commission (1948) 203 Ga 832, 871, 75 PUR NS 471, 501, 49 SE2d 38, 62. Where adequate means were lacking under the administrative process or where the manner of administering such means was inadequate it was held in Peoples Gas Light & Coke Co. v. Slattery (1939) 373 Ill 31, 31 PUR NS 193, 25 NE2d 482, that an independent proceeding in equity was justified to prevent confiscation. There the distinction between a proceeding in equity for that special purpose and one under the administrative process to fix fair and reasonable rates was clearly pointed out. In that case an application for temporary relief was denied by the Commission and the company appealed. Pending such appeal the company sought relief in equity to prevent confiscation of its property. Resort to the judicial process at that stage was held justifiable by the state supreme court which cited in support of its holding Smith v. Illinois Bell Teleph. Co. 270 US 587, 588, 70 L ed 747, PUR1926C 754, 46 S Ct 408, and Prendergast v. New York Teleph. Co. 262 US 43, 67 L ed 853, PUR1923C 719, 43 S Ct 466.

The United States Supreme Court has held consistently that it is not necessary to exhaust the administrative process before invoking the aid of a court of equity to prevent daily confis-

cation of property resulting from alleged confiscatory rates. Oklahoma Nat. Gas Co. v. Russell, 261 US 290, 67 L ed 659, PUR1923C 701, 43 S Ct 353; Pacific Teleph. & Teleg. Co. v. Kuykendall, 265 US 196, 68 L ed 975, PUR1924D 781, 44 S Ct 553; Banton v. Belt Line R. Corp. 268 US 413, 69 L ed 1020, PUR1926A 317, 45 S Ct 534; Smith v. Illinois Bell Teleph. Co. *supra*. My examination of those cases and many others similar thereto in the inferior Federal courts leads me to believe that in the present juncture of the instant rate proceedings this court's denial of the judicial process to the complainant will not be followed if it seeks relief in those courts. Since the question of confiscation is in fact ultimately a Federal question, or at least may be made such by an aggrieved party who is prevented from obtaining equitable relief in our state court, the Federal cases are in my opinion most persuasive. If for no other reason I would prefer to be guided by them in determining the question of jurisdiction in the case at bar.

However, aside from the Federal phase there is good reason for holding that in the special circumstances here the superior court had jurisdiction. Complainant, by motion duly filed, applied to the Administrator for temporary emergency relief. That officer declined to give the motion immediate consideration and refused to hear argument on his authority to grant such relief or to receive evidence in support of the motion. He continued it without further consideration to await a hearing on the merits of the company's second revised schedule of rates. He finally denied it at the same time he denied such schedule of rates by decision contained in his order No. 6357 and entered in his docket No. 496.

On the face of that decision it appears that he did not deny the motion on its merits but merely pro forma. He expressly stated therein that he could not determine the motion in the time at his disposal and that it would be needless for him to try since complainant by an appeal to the public utility hearing board could obtain a full hearing on its motion there. Those are words of abdication of whatever power and authority he possessed under the statute to grant complainant emergency relief. Here, indeed, was an administrative tribunal frankly unwilling even to consider the extent of its powers to grant relief in an alleged emergency.

In view of such an arbitrary disposition of complainant's motion for relief and the extreme urgency and importance of the issues of confiscation of property and denial of due process of law raised thereby it seems to me unreasonable to send the complainant back to the same tribunal to apply for the same relief. If the Administrator again refuses to accept jurisdiction or denies relief where would complainant go and how soon could those issues be determined? Apparently, according to the majority, it must remain within the administrative process and appeal to the public utility hearing board, and thereafter to this court The delay necessarily inherent in so circuitous a procedure for obtaining emergency relief from daily confiscation of property is obvious and should give pause for the gravest consideration. In my view such procedure in

a case of this kind scarcely comports with the guaranty of our Rhode Island Constitution that every person within this state "ought to obtain right and justice . . . promptly and without delay . . . ." Article I, § 5.

Complainant first applied for temporary emergency relief in November, 1948. If, since that time, it has been actually suffering daily confiscation of its property in the amount that it alleges and is now going to be required to pursue the circuitous remedies indicated by the majority opinion its losses will assume impressive proportions and will be irrecoverable. Losses of that character, it was observed in Federal Power Commission v. Natural Gas Pipeline Co. (1942) 315 US 575, 86 L ed 1037, 42 PUR NS 129, 62 S Ct 736, cannot be made up in the future. And it was in appreciation of that very fact that this court, in Public Utilities Commission v. East Providence Water Co. (RI Sup Ct 1926) 133 Atl 347, said, in suspending a stay, pending appeal, of certain rates desired by the company, ". . . it is not clear how the water company can be protected against loss, in the event that said order shall be sustained, unless an order is made that the appeals shall not operate as a stay as to them." Where such an order is thus entered permitting the company temporarily to charge a nonconfiscatory rate mere running of time does not irreparably harm the company.

In the case at bar the majority of the court, in effect, did the opposite and granted the Administrator's motion to stay the order of the superior court, which was favorable to the company, pending the appeal in this court, thus restricting the company to the alleged confiscatory rates for an indefinite period. The balance of hardship was thus weighted against the company carrying with it the necessary consequences that unless determination of its application for emergency relief could be obtained promptly any loss which it might ultimately prove that it had sustained during the interim would be irrecoverable. That there was in such circumstances good ground for invoking equity and interposing an injunction would seem to be obvious. As was said in Council Bluffs v. Omaha & C. B. Street R. Co. (1925) 9 F2d 246, 249: "If the continuance of that injury could not be prevented by a temporary injunction, it could not be prevented at all, and there is, in our opinion, no doubt that the court below had the judicial power to prevent by a mandatory injunction, if necessary, the continuation of this violation of the Constitution and irreparable injury until the hearing and decision of this case on the merits."

In the circumstances, therefore, I am of the opinion that the majority decision is tantamount to a denial of due process of law. The principle of exhaustion of administrative remedies is a false light in the instant situation and may lead to a gross injustice to the complainant. The cases cited by the majority in which that principle was the guide do not present situations at all comparable to that in the case at bar. In the first place not one of those cases involved a question of alleged confiscation of a public utility's property under alleged confiscatory rates for service.

The case of Myers v. Bethlehem Shipbuilding Corp. *supra,* did not even involve a public utility. In United States v. Illinois C. R. Co. (1934) 291 US 457, 78 L ed 909, 54 S Ct 471, the court said that the order of the Commission to the railroad was merely an order to show cause why certain *proposed* joint barge-rail rates should not be established *in the future* and thus involved only the administrative process with which the railroad should comply. No question of continuing daily confiscation of property was raised. The same is true of the case of St. Clair v. Tamaqua & P. Electric R. Co. 259 Pa 462, PUR1918D 229, 103 Atl 287, 5 ALR 20. There the public utility was the defendant and it was the municipality which was seeking relief by the judicial process rather than relief within the administrative process where the court held it properly belonged.

After their discussion of those cases the majority cite several other cases but without any comment thereon. In my opinion they do not lend any aid in determining what is the appropriate remedy in a case of alleged confiscation. One of them, however, contains language which recognizes the right to an injunction in such a case. In Abelleira v. District Court of Appeals (1941) 17 Cal2d 280, 296, 109 P2d 942, 951, 132 ALR 715, the court, in commenting on certain cases which had been cited to it, said that they were not in point because they were cases "dealing with rate orders of regulatory Commissions, where the administrative body imposes a confiscatory rate on a public utility. Continued operation of the business at the rate imposed pending the appeal may in some instances be so unprofitable as to amount to a destruction of the business, and therefore a taking of property without due process of law. The courts in these cases issue injunctions to stay the enforcement of the new rate until a final determination of its validity, in order to protect the constitutional rights of the petitioning utilities. In brief, these decisions establish the right to equitable relief to protect the property rights of a petitioner from irreparable injury immediately threatened by a void administrative act."

On the other hand, the large number of cases which the majority list in their opinion as exceptional are examples of alleged confiscation to prevent which equity was properly invoked. In those cases the court declined to confine the utility to the administrative process because the question raised was a judicial question which did not require awaiting exhaustion of administrative remedies. In this respect Oklahoma Nat. Gas Co. v. Russell, 261 US 290, 67 L ed 659, PUR 1923C 701, 43 S Ct 353; Smith v. Illinois Bell Teleph. Co. 270 US 587, 70 L ed 747, PUR1926C 754, 46 S Ct 408; and Prendergast v. New York Teleph. Co. 262 US 43, 67 L ed 853, PUR1923C 719, 43 S Ct 466, are especially significant. The fact of the matter is they are exceptional only because they are cases which involved alleged confiscation of the property of a public utility under existing or threatened confiscatory rates for service, and as such were not considered within the administrative process so as to call for the application of the principle of exhaustion of administrative remedies.

In the case at bar it is to be noted

that the company did not ignore any possible remedy for emergency relief within the administrative process. On the contrary, it applied to the Administrator and he denied, out of hand so to speak, its motion for such relief. Complainant then appealed to the public utility hearing board. Under the authorities above cited it did not have to pursue that remedy further before seeking the aid of equity in order to prevent confiscation of its property. Whether or not the remedy by statute was fully adequate to protect complainant's constitutional right was for the superior court to decide. But in any event, in my opinion, its *jurisdiction,* in the exercise of its equity powers, to grant or deny relief cannot be successfully questioned.

I am, therefore, not persuaded by the majority's discussion of complainant's failure properly to apply for emergency relief to the Administrator. That matter, in my view, cannot adversely affect the *jurisdiction* of the superior court. Even though the Administrator may be vested with the power under § 41 or under the proviso in § 45 to grant temporary emergency relief it does not follow that thereby the superior court has been or could be deprived of its judicial power in equity to prevent the taking of complainant's property without just compensation. Complainant is entitled to choose that remedy in preference to the statutory remedy if deemed by it to be more efficacious in the protection of its constitutional right; and the superior court may apply such remedy if it feels that complainant has not a remedy at law adequate for that purpose.

As for the majority view that the Administrator has dealt fairly with the complainant in that he has, in effect, granted it immediate temporary relief by allowing his order of April 15, 1948, to become effective notwithstanding complainant's appeal to the public utility hearing board, I cannot agree. In the first place no question of emergency relief was presented to the Administrator before that order was issued. Complainant's motion for such relief was not filed until sometime in November, 1948, after such order had been in effect several months. In the second place the Administrator had no power to stay his order pending appeal to the public utility hearing board. That order provided for new permanent rates, not temporary rates, and became effective of necessity because the statute does not provide for a stay thereof pending such an appeal as it does pending an appeal from the board to this court. I can find nothing in the statute which supports the majority view that complainant's appeal to the public utility hearing board necessarily vacated the Administrator's order establishing new permanent rates. To say that it did raises a grave question of legality of those rates now being charged by complainant.

To summarize, the rates fixed by that order are not temporary but permanent and whether they are fair and reasonable is a question raised by the appeal to the board. That question is exclusively administrative and must ultimately be decided within the administrative process. Until the board decides the appeal those rates are in effect by force of the statute and not by grace of the Administrator. The question of *minimum* rates to be *temporarily* charged pending such de-

termination in order to prevent confiscation of complainant's property is an entirely different question and one that is clearly judicial in its nature. Complainant properly submitted it for determination to the superior court.

I express no opinion on the merits as to whether complainant clearly proved its allegation of confiscation, nor on the subsidiary question whether certain evidence was competent, relevant and admissible to prove the fact of alleged confiscation. Consideration of those questions is not necessary to a determination of the question of the superior court's jurisdiction. On my view of the jurisdictional question it would be necessary for the court to pass upon those questions but on the majority view we do not reach them.

OREGON CIRCUIT COURT FOR COUNTY OF MARION

Pacific Telephone & Telegraph Company

v.

George H. Flagg, Public Utilities Commissioner

Nos. 35,422, 35,798, 35,820
October 10, 1949

REVIEW *of order of Public Utilities Commissioner limiting payments by telephone company to its parent company; orders affirmed except as to requirement that subsidiary requisition services.*

Intercorporate relations, § 5.1 — Constitutional requirements — Limitation on intercompany payments.

1. A statute authorizing the Public Utilities Commissioner to investigate the budgets of expenditures of public utilities as to certain items, including proposed payments for services to corporations having affiliated interests, to determine whether the same are fair and reasonable and not contrary to public interest and by finding and order approve or reject the same, or any part thereof, is not violative of state and Federal Constitutions, p. 152.

Intercorporate relations, § 15 — Intercompany payments — Value of services — Costs to parent company.

2. Evidence of expenditures by a parent company in carrying on activities which are the basis for a service charge to a subsidiary telephone company is valuable only in so far as it is of aid in determining the value to the subsidiary of the proposed service, p. 152.

Intercorporate relations, § 15 — Payment to parent company — Reasonableness — Burden of proof.

3. A telephone company must establish a reasonable need for services ren-

dered by a parent company and that the amount budgeted is not disproportionate to the value to the subsidiary of the services, in order to obtain approval of such payments by the Public Utilities Commissioner, p. 152.

Intercorporate relations, § 12 — Powers of Commissioner — Services of parent company — Order to requisition service.

4. The statute authorizing the Public Utilities Commissioner to investigate budgets of expenditures of public utilities as to certain items, including proposed payments for services to corporations having affiliated interests, and to determine the reasonableness of such payments, does not confer authority on the Commissioner to require a subsidiary telephone company to order or requisition such service from its parent company, as the statute does not confer authority to prescribe for utilities the method of their doing business, p. 152.

DUNCAN, CJ.:

[1] Section 112–481, O.C.L.A. authorizes the Public Utilities Commissioner to investigate the budgets of expenditures of public utilities as to certain items, including proposed payments for services to corporations having affiliated interests, to determine whether the same are fair and reasonable and not contrary to public interest and by finding and order approve or reject the same, or any part thereof.

Plaintiff, in its 1948 and 1949 budgets, had set up certain times which it proposes to pay to the American Telephone and Telegraph Company, herein called American, under an agreement referred to as a license contract. The amounts of such proposed payments are based on a percentage of gross earnings of plaintiff. The American owns a major part of the voting stock of plaintiff and is an affiliated interest, as defined by statute.

The Commissioner by his findings and order determined that it is contrary to public interest, the interest of plaintiff, its majority stockholders, and its ratepayers in the Oregon area to permit it to continue to make percentage of gross revenue payments to American pursuant to the license contract and he rejected the items.

Plaintiff claims § 112–481, O.C.L.A. to be violative of the state and Federal Constitutions and claims the action of the Commissioner to be in excess of his authority and violative of these constitutions.

The Commissioner is required by law to regulate the rates of public utilities and the authority given him by § 112–481 to approve or reject budget items is essential to an orderly and effective exercise of his duties of rate regulation. The standards set up for the guidance of the Commissioner in approving or rejecting budget items are fairness, reasonableness, and the public interest.

Section 112–481, O.C.L.A. is found to be constitutional.

[2–4] Under the license contract the rate of compensation for the service is fixed by American, not exceeding, however, 2½ per cent of plaintiff's gross earnings. The proposed rate for 1948 is 1½ per cent for nine months and one per cent for three months, totaling approximately $363,000; and for 1949 is one per cent, totaling approximately $317,000. The contract is general in its terms as to the service

which American is required to furnish to plaintiff and provides no guide for determining in any detail the extent of the service nor its value to plaintiff. Evidence of expenditures of American in carrying on its activities, which are the basis for the service charge, is valuable only in so far as the same is of aid in determining the value to plaintiff of the proposed service.

It is incumbent upon plaintiff to establish a reasonable need for the services and that the amount budgeted is not disproportionate to the value to plaintiff of the services.

The court is of the opinion that these facts have not been established and that the findings and order of the Commissioner rejecting the budget items in dispute are reasonable and lawful.

The Commissioner's order is modified by eliminating that portion which requires plaintiff to order or requisition service from American as the statute is not deemed to confer authority on the Commissioner to prescribe for utilities the method of their doing business.

A form of decree in accordance with the foregoing may be presented for signature in each of the three cases, without costs to either party.

DECREE

This matter came on regularly to be heard before the court on July 19, 1949, on the stipulation of the parties consolidating for trial and all further proceedings the three above-entitled cases, all of which suits involve exclusively the same parties and take their origin in a consolidated record made before the defendant Public Utilities Commissioner.

Ordered, Adjudged, and Decreed as follows:

1. The orders of defendant which plaintiff seeks to have enjoined and set aside in these suits, to wit:

(a) Order No. 21057 dated November 8, 1948; (b) Order No. 21859 dated March 31, 1949; (c) Order No. 21902 dated March 31, 1949; (d) Order No. 21865 dated April 11, 1949; are, except as modified by the provisions of the following paragraph 2, in all respects affirmed and the prayers of plaintiff that said orders be enjoined and set aside are denied.

2. Said orders, and each of them, are hereby modified by eliminating therefrom any requirement contained in said orders, or any of them, that plaintiff shall receive service from American Telephone and Telegraph Company under a contract dated March 10, 1936, between plaintiff and said American Telephone and Telegraph Company only upon orders or requisitions placed by plaintiff with said American Telephone and Telegraph Company.

3. Neither party shall recover its costs and disbursements herein.

Re Amery Telephone Company

2-U-2970
August 23, 1949

APPLICATION *of telephone company for authority to increase rates; approved.*

Rates, § 536 — Telephones — Basis for increase.

1. A telephone company furnishing exchange service by means of a magneto switchboard and having a completely metallicized circuit was allowed to put into effect a higher rate schedule which would not result in unreasonable earnings where its present rates were not providing it with an adequate return, p. 154.

Rates, § 544 — Business and residence extension phones — Rate differential.

2. A telephone company's proposal to charge the same rate for residence extension telephones as for business extension telephones is unreasonable, since the cost of business extension service is greater because of the higher average calling rate and installation costs, p. 156.

Rates, § 582 — Telephones — Toll service — Cost of keeping records.

3. A telephone company's proposed charge to enable it to keep separate toll records for persons residing in a household other than subscribers will not be allowed, since such records are not considered utility service, p. 156.

Return, § 111 — Reasonableness — Telephones.

4. A telephone company's return of approximately 5 per cent on its net book value rate base was considered reasonable and lawful, p. 156.

By the COMMISSION: The Amery Telephone Company, a public utility of Amery, Polk county, filed an application with the Commission on February 25, 1949, for authority to increase rates. Notice of investigation and hearing and assessment of costs was issued March 8, 1949.

APPEARANCES: Amery Telephone Company, by H. M. Griffin, President and Manager, Amery, and Donald R. Griffin, Bookkeeper, Amery; of the Commission staff: W. H. Evans, rates and research department.

[1] The applicant serves 134 urban business, 400 urban residence, and 503 rural stations in Amery, Polk county, and contiguous rural area. Switching service is provided to the Deronda and Dwight Rural Telephone Company and the Little Falls Rural Telephone Company with a total of eighty-four subscribers. The company furnishes exchange service by means of a 495-line magneto switchboard in a building recently sold by the applicant and leased from the purchaser. All circuits are metallicized.

The company has been authorized to build a new central office building and install a switchboard to provide a com-

mon battery service in the urban areas and magneto service in the rural territory (CA-2539, June 28, 1947). At the time the new central office building was authorized, it was anticipated that the sale price of the old building, which included rental units in addition to space used by applicant, would exceed the cost of the new building. The old building was sold for approximately $17,000, and the new building which was completed in the early part of 1949 cost $30,258. The increase in the cost of central office building over original estimates is attributable to the rise in price of material and increased labor rates.

Applicant submitted exhibits showing present and proposed rates, comparative balance sheet and income account, rate base, and a comparison of payroll. Delayed Exhibit 2 was submitted on April 16, 1949, in response to questions asked by the Commission. On June 25, 1949, the applicant submitted additional data in response to the Commission's letter of June 17, 1949. A field investigation of the company's records and inspection of the building was made on July 1, 1949.

The present and proposed net rates for the principal classes of service are:

	Per Month	
	Present	Proposed
Urban Service:		
Business		
One-party	$3.50	$4.00
Two-party	3.00	3.50
Residence		
One-party	2.50	3.00
Two-party	2.00	2.50
Four-party	1.75	2.25
Suburban Service:		
One-party	3.75	4.25
Two-party	...	3.50
Four-party	3.00	3.00
Rural Multi-party Service:		
Business	2.50	2.75
Residence	1.75	2.00
Extension Telephones:		
Business	$1.00	$1.00
Residence	.75	1.00
PBX	1.00	1.25
Switching Service:		
Business	1.00	1.25
Residence	.75	1.00
Miscellaneous Rates:		
Extension bells	.25	.50
Special fire call	.50	1.00
Extra toll record	..	1.00
Extra directory listing		
Business	.50	.50
Residence	.35	.35
Common battery service, additional charge	.25	..
Service Connection and Move Charges:		
Facilities not in place	1.50	3.00
Facilities in place	.75	1.50
Inside move		
Main station	1.00	1.50
Ext. or PBX	.75	1.00
Intercommunication	..	2.50

Applicant also proposed to file a rate for intercommunication equipment.

The proposed rates are estimated to increase revenues $4,852 per year based on subscribers as of December 31, 1948. It is anticipated that from forty to fifty additional subscribers will be secured when the facilities become available as a result of the program of conversion to common battery service. The Commission has prepared a revised pro forma income account which includes revenues under the proposed rates, assuming the addition of forty stations. Toll revenues are estimated on the basis of the increase in toll revenue in April and May of 1949 over the comparable months in 1948. Wages and salaries are based on the wage rates negotiated with the employees. General expense was adjusted to eliminate the present rental of the central office because the new central office will be cut in shortly. Depreciation expense was adjusted to reflect the additional investment resulting from the conversion

program and taxes were adjusted to include the additional gross revenue and income taxes. The pro forma income account follows:

Operating Revenues:	
Local service	$31,125
Toll revenues	10,115
Miscellaneous	27
Total above	$41,267
Deduct Uncollectibles	225
Total revenues	$41,042
Operating Expenses:	
Maintenance expense	8,733
Traffic expense	11,276
General expense	7,460
Total above	$27,469
Depreciation expense	4,568
Taxes	4,081
	$36,118
Utility Operating Income	$4,924

The pro forma net operating income represents a 5 per cent return on the net book value rate base of $98,738.

The reported property and plant in service as of December 31, 1948, was adjusted to reflect the removals of central office equipment, station equipment, station installation, and drop and block wire, and the additions to central office building, switchboard, station equipment, station installation and drop and block wire associated with the conversion of the central office to common battery service. The depreciation reserve was adjusted to reflect the depreciation accrual for 1949 and the retirements of plant.

The computation of the net book value rate base is shown below:

Property and Plant	$152,289
Less	
Reserve for depreciation	58,701
	$93,588
Plus	
Cash working capital	2,747
Materials and supplies	2,403
Net book value rate base	$98,738

[2–4] The proposed rates will not result in unreasonable earnings. The proposal to charge the same rate for residence extension telephones as for business extension telephones is unreasonable because the cost of business extension service is greater due to the higher average calling rate and installation costs. The proposed charge of one dollar to keep separate toll records of other persons residing in the household of subscribers is not considered utility service. The increase in the switching rate for residence service of 25 cents per month is unreasonable and the rate will be reduced to 90 cents. The proposed rate for extension bells is also unreasonable and will be reduced to 30 cents. The rates prescribed by the Commission will decrease revenues approximately $190 per year over the revenues shown in the pro forma income account above. This will be offset by authorizing applicant to charge the same toll rates to Balsam Lake and St. Croix Falls as are charged in the reverse direction.

The Commission finds:

1. That the present rates of the Amery Telephone Company are unreasonable because of inadequacy.

2. That the net book value rate base of $98,738 is reasonable and proper for the purposes herein.

3. That the rates prescribed herein will yield a return of approximately 5 per cent on the net book value rate base which return and which rates are reasonable and lawful.

The Commission concludes:

That an order granting an increase in rates as herein prescribed be issued.

Order

It is therefore *ordered:*

That the Amery Telephone Company discontinue its present rates and place in effect on the first billing date subsequent to the date of this order the rates set forth in the appendix hereto.

Appendix

	Per Month Gross	Per Month Net
Urban Service:		
Business		
One party	$4.25	$4.00
Two party	3.75	3.50
Residence		
One party	3.25	3.00
Two party	2.75	2.50
Four party	2.50	2.25
Suburban Service:		
One party	4.50	4.25
Two party	3.75	3.50
Four party	3.25	3.00
Rural Multi-party Service:		
Business	3.00	2.75
Residence	2.25	2.00
Extension Telephones:		
Business	...	1.00
Residence	...	.75
PBX	...	1.25
Switching Service:		
Business	...	1.25
Residence	...	.90

Miscellaneous Rates:		
Extension bells	...	$0.30
Special fire call service	...	1.00
Extra directory listing		
Business	...	.50
Residence	...	.35
Service Connection and Move Charges:		
Facilities not in place	$3.00	
Facilities in place	1.50	
Inside move		
Main station	1.50	
Ext. or PBX	1.00	
Intercommunication	2.50	

	Net Per Month
Private Branch Exchange	
Cordless (2 x 5 cabinet)	
Relay cabinet	$3.50
Trunk lines each	one party business
Power circuit (to be furnished and maintained by the utility)	2.50
Stations each	1.25
Toll Rates:	
Amery to	
Balsam Lake	
St. Croix Falls	

Amery Telephone Company concurs in the toll schedule for intrastate toll messages of the St. Croix Valley Telephone Company with respect to messages from Amery to points listed above.

Re Standard Gas & Electric Company

File No. 70-2189, Release No. 9308
September 1, 1949

APPLICATION *for authority to advertise two separate blocks of stock with express intention of asking for bids on only one a few days prior to the opening of bids; granted.*

Security issues, § 112 — Competitive bidding — Advertising procedure.

A subsidiary holding company, having filed an application for authority to sell either a block of no-par value common stock of one of its subsidiaries or a block of par value common stock of another of its subsidiaries, was authorized to advertise initially the two separate blocks of stock with the express intention of asking for bids on only one a few days prior to the opening of such bids, where it did not appear that the procedure would be harmful to the company or to its investors or consumers.

By the COMMISSION: Standard Gas and Electric Company ("Standard"), a registered holding company and a subsidiary of Standard Power and Light Corporation, also a registered holding company, has filed with this Commission, pursuant to the Public Utility Holding Company Act of 1935 ("Act"), an application-declaration and amendments thereto in respect of a proposal to sell either 250,000 shares of common stock, without par value, of its public utility subsidiary Louisville Gas and Electric Company ("Louisville"), or 200,000 shares of common stock, par value $20 per share, of its public utility subsidiary Oklahoma Gas and Electric Company ("Oklahoma"). Standard, stating that it desires to make the proposed sale pursuant to the competitive bidding requirements of Rule U-50 of the Rules and Regulations promulgated under the act, wishes authority to advertise both blocks of stock at competitive bidding. Standard further proposes that not less than four days prior to the date fixed for the opening of bids it will determine which of the two blocks of stock it desires to sell and will so notify all persons who have evinced an intention to submit bids. Thereafter, bidding upon that block of stock, and its expected sale, will proceed in customary fashion.

Standard also requests authority to stabilize the market price of the stock upon which bids are to be received. It is proposed that Standard be permitted to purchase shares of such stock during the period covering the two business days prior to the day when bids will be received and continuing up to the time for the opening of bids on that day. Purchases by Standard for stabilization purposes will be made on the New York Stock Exchange in the case of the Louisville stock, or in the over-the-counter market in the case of the Oklahoma stock.

In 1941, pursuant to § 11 (b) (1) of the Act, 15 USCA § 79k (b) (1), we ordered Standard to sever all relationships with Louisville and Oklahoma. At the present time, Standard's remaining holdings of securities in these companies consist of 385,308 shares, or 36.05 per cent, of Louisville's outstanding common stock, and 550,041 shares, or 56.18 per cent, of Oklahoma's outstanding common stock. Standard intends to use the proceeds of the sale to reduce its presently outstanding bank loans, which aggregate $9,800,000 and which mature December 3, 1949. It is estimated that the loans will thus be reduced to approximately $3,000,000.

Since Standard's program departs from the usual competitive bidding procedure under Rule U-50 and since we were uncertain as to its possible impact on that rule, we ordered a hearing. No one appeared at the hearing in opposition to Standard's proposal.

In explanation of the proposed procedure, Edward O. Boshell, president of Standard, testified that for some time prior and up to the filing of the application-declaration it was difficult for Standard to determine which block of securities it would be more advantageous to sell. Hence, it was decided to postpone the choice for as long a time as possible. An additional factor considered by Standard was that the proposed procedure would minimize any possible adverse effect on the market price of the stock to be sold which, according to Boshell, often occurs when it is known that a particular block of stock of substantial size is about to be offered publicly.

In passing upon the procedure proposed by Standard we must determine whether it will be detrimental in any way to the carrying out of the provisions of Rule U-50 or to compliance with the requirements of § 12 (d) of the act, 15 USCA § 79*l* (d). Although no one appeared at the hearing in opposition to Standard's proposal, we do have some misgivings about it. Our concern here is whether the proposed procedure of initially advertising two separate blocks of stock, with the expressed intention of asking for bids on only one a few days prior to the opening of such bids, will in any way adversely affect maintenance of competitive conditions or the consideration to be received for the shares sold. We are particularly concerned because the program may have the effect of discouraging interested persons from participating in the bidding and because the procedure is more expensive both to the company and to the prospective bidders. Thus, Standard's proposed procedure may have the ultimate effect of lowering the net proceeds to be received by the company for the block of stock sold.

While Rule U-50 does not by its terms prohibit a company from setting up a competitive bidding sale in the manner proposed by Standard, if we were convinced that such a sale would impair the effectiveness of the rule, we would not hesitate to withhold our approval. However, the company takes the position that the proposed procedure will not be detrimental to the carrying out of the provisions of Rule U-50 and that any disadvantages which it may have are more than outweighed by the advantages, i. e., that in view of the flexibility there is a likelihood that the company will realize a price for the stock which will

more than offset the added expenses.

The proposed procedure is unique in our experience under Rule U-50 and after careful examination of the record, we cannot say how, if at all, it will affect the operation of that rule. While we do not necessarily agree that the claimed advantages will be realized, in so far as we can presently tell, it does not appear that the procedure will be harmful to the company or to investors or consumers, and, accordingly, we are willing to give Standard's proposal a fair trial. However, it should be clearly understood that we view this case as in the nature of an experiment. It should also be pointed out that at this time we are not approving the sale of either of the stocks, but are merely authorizing the invitation for bids and reserving jurisdiction over the terms of sale, after they are reported to us. If, at that time, further study indicates that the applicable statutory standards have not been satisfied, we are not without recourse.

In the event that Standard determines to sell the Louisville stock, its remaining holdings will represent 7.01 per cent of the outstanding voting securities of that company and accordingly Louisville will cease to be a statutory subsidiary of Standard, although it will continue to be an affiliated company under the act.[1] At the present time Boshell is a member of the board of directors of Louisville. As we previously pointed out, our 1941 order directed Standard to sever all its relationships with that company. Accordingly, we are conditioning our order with respect to the Louisville stock so that without our prior approval no representative of Standard shall be a candidate for election to the board of directors of Louisville at its next annual stockholders' meeting, which is scheduled for May, 1950.

Standard has also requested that the 10-day notice period required by Rule U-50 be shortened to six days. We deem it appropriate, under the circumstances of this case, to grant this request.

An appropriate order will issue.

[1] This result will not follow in the case of Oklahoma since Standard's remaining holdings in that company will represent 21.2 per cent of Oklahoma's outstanding voting securities.

Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.

Commonwealth Edison Program Now at a Peak

CONSTRUCTION work on the new Ridgeland generating station of Commonwealth Edison Company is now at a peak, according to Charles Y. Freeman, chairman. More than 2,000 men are employed in the building of this big modern generating plant.

The first Ridgeland generating unit is scheduled to start operating in the fall of 1950 and will consist of a 150,000 kilowatt turbo-generator and two big boilers and auxiliary equipment and facilities. Concurrently, construction work is under way for the installation of a second unit of the same size. The two units will have a combined generating capacity of 300,000 kilowatts, which is sufficient to serve a city of 600,000 population. The second generating unit is to be in service in the latter part of 1951.

The project is so designed that additional units can be added in the years ahead, with a potential capacity at this location of 600,000 kilowatts. Many of the basic facilities now being installed will have sufficient capacity to serve future units.

This new station is part of the $500,000,000 postwar expansion program undertaken by the Commonwealth Edison group of companies which serve more than 1,500,000 electric customers in Chicago and Northern Illinois.

The expansion program includes the installation of 774,000 kilowatts of additional generating capacity, which, by the end of 1952, will put the total capacity of the system at more than 3,000,000 kilowatts.

Huge Appliance Market Seen For Farm Electric Customers

THREE-QUARTERS of a billion dollars is the value of the immediate market for electrical appliances among American farm families with electric service, according to an estimate based on the results of a sampling survey recently completed by the Edison Electric Institute's Farm Section. At the end of 1949, it is estimated that about 5,000,000 farms will be receiving electric service.

Interviews with 2,377 farm electric customers in 19 states representing every section of the country indicate an average retail market for appliances of about $150 per customer. The survey, conducted among their farm customers by 26 electric operating companies, covered in addition to the farm families, 293 rural customers not classified as farmers.

The survey shows more than forty different types of electrical equipment are desired immediately, with home food freezers, electric water systems, and electric ranges leading in demand. The survey, projected on the basis of the total number of electrified farms, indicates that nearly a quarter of a billion dollars in retail sales is represented by the demand for food freezers; while over $90,000,000 would be expended for the pumps alone in water system installations. With 41 per cent of rural electric customers already cooking with electricity, an additional 12 per cent want electric ranges now.

Fourth in demand are electric water heaters, representing about $70,000,000 in sales for electric appliance dealers. Over $55,000,000 worth of new electric refrigerators is also indicated, despite the fact that about 85 per cent of farm customers have them already.

G-E Booklet on "Selection Of Proper Cable Sizes"

"SELECTION of Proper Cable Sizes" is the title of a new booklet just issued by General Electric's construction materials advertising department. This publication deals with the method of determining cables and cable sizes of asbestos-varnished cambric cables, Types AVA, AVB, and AVL. Step-by-step instruction is given on figuring load current, voltage drop, cables, and cable sizes for both lighting and motor loads. Handy reference tables simplify these computations.

Booklet (No. 19-269) is obtainable free of charge from the General Electric Company, construction materials department, Bridgeport, Connecticut.

Int. Harvester Announces New Truck Line

A COMPLETELY redesigned and reengineered line of International trucks, entirely new from front bumper to tail light, has been announced by the motor truck division of International Harvester Company.

The new L-line, a complete line of heavy-duty-engineered trucks consisting of 87 separate truck chassis models designed to handle every conceivable type of hauling job, went on display in dealers' showrooms throughout the country November 30th.

The new L-line, the end result of International's 43 years of truck engineering know-how, features:

...complete restyling that blends a new modern truck streamlining with extreme practicability.

...a new "Comfo-Vision" cab, custom-designed to provide more roominess, add-

(*Continued on Page* 22)

ed comfort, and new all-round visibility.
- ...new chassis dimension engineering that permits better load distribution, greater maneuverability, shorter over-all lengths, and improved engine accessibility.
- ...new, improved valve-in-head International truck series engines, including an all-new Silver Diamond engine.
- ...and a host of new mechanical and engineering improvements designed to effect important cost reductions for the operator.

Brought to the public after years of exhaustive testing and research, the new trucks required the greatest expenditure of any new models in International history. More than $30,000,000 was spent for the vast production changeover necessary. At great additional expense more than three years of road tests went into proving the new trucks. The intensive program included laboratory and track testing in addition to over 3,000,000 miles of driving under all types of operating, weather, and road conditions.

The new L-line is spearheaded by four classifications of four-wheel model trucks—the Standard, ranging from 4,200 pounds to 40,000 pounds, gross vehicle weight; the Schoolmaster, comprising five bus models ranging from 12,500 to 24,000 pounds, GVW; the Loadstar, ranging from 16,500 to 29,500 pounds, GVW; and the Roadliner, ranging from 16,000 to 30,000 pounds, GVW.

The new International line further features new Metro multi-stop units, product of the company's Bridgeport, Connecticut, plant, ranging from 5,300 to 10,000 pounds, GVW, and including three different body sizes, one adaptable for use as a bus; a new group of six-wheel chassis units, ranging from 22,000 to 50,000 pounds, GVW; a new group of cab-forward chassis units, ranging from 14,000 pounds, GVW.

The company's "West Coast" trucks, manufactured in International's Emeryville, California, plant, include two highway and four off-highway vehicles, ranging from 30,000 to 90,000 pounds, GVW.

Frigidaire Plans National Business Meetings

ORGANIZATION, methods, and plans for expanding commercial and air conditioning national business in 1950 will be outlined by Frigidaire Division of General Motors during a series of five regional meetings early in December, it was announced by W. F. Switzer, the factory's commercial sales manager. Sales managers and other key representatives from 43 districts will attend.

Headed by Switzer, a factory speaker's panel will conduct the series of special meetings in five regions. Other members of the group will be F. E. Lehman, assistant commercial sales manager; M. C. Schenk, manager of national business sales; P. W. Budworth, ice cream cabinet sales manager; and H. E. Martin, of commercial sales department. Meetings will be held at New York City, Chicago, Atlanta, Dallas, and Seattle.

Are they getting bigger, or smaller?

ONE way to keep an accurate and realistic line on your consumers' kilowatt-hour consumption is to make an analysis of usage.

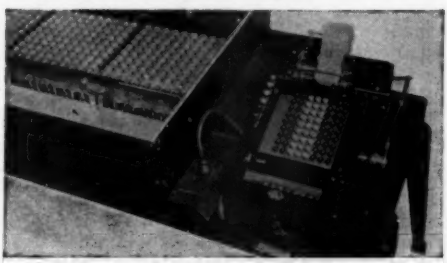
Instead of having this data prepared in your own offices, however, call in the Recording and Statistical Corporation.

We can analyze your bills in ⅓ the usual time . . . and at approximately ⅓ the cost of having them done in your own offices by your own competent people.

The Bill Frequency Analyzer—which we developed especially for consumers' usage data—can analyze as many as 200,000 of your bills in one day. Consequently, the cost to you is but a tiny fraction of a cent per item.

May we send you this?

"The One Step Method of Bill Analysis" is an informative booklet that tells you more about this accurate and economical method of compiling consumers' usage data.



This Bill Frequency Analyzer—developed especially for utility usage data—automatically classifies and adds in 300 registers in one step.

RECORDING AND STATISTICAL CORPORATION

100 Sixth Avenue New York 13, N. Y.

GMCs "Deliver the Goods"

Food, furniture and fuel oil . . . the tree, the turkey, the toys . . . almost everything that moves by motor truck makes its contribution toward a Merry Christmas.

Total truck tonnage has increased 120 percent in the past ten years and GMC has been a pacemaker in this rapid rise in truck transportation. Now better equipped to "deliver the goods" than ever before, tough, truck-built GMCs offer powerful, valve-in-head gasoline engines or famed, 2-cycle Diesel models . . . strong, sturdy chassis with rugged axles, springs and brakes . . . big, wide-vision, easy-riding cabs . . . outstanding performance and dependability, unexcelled efficiency and economy.

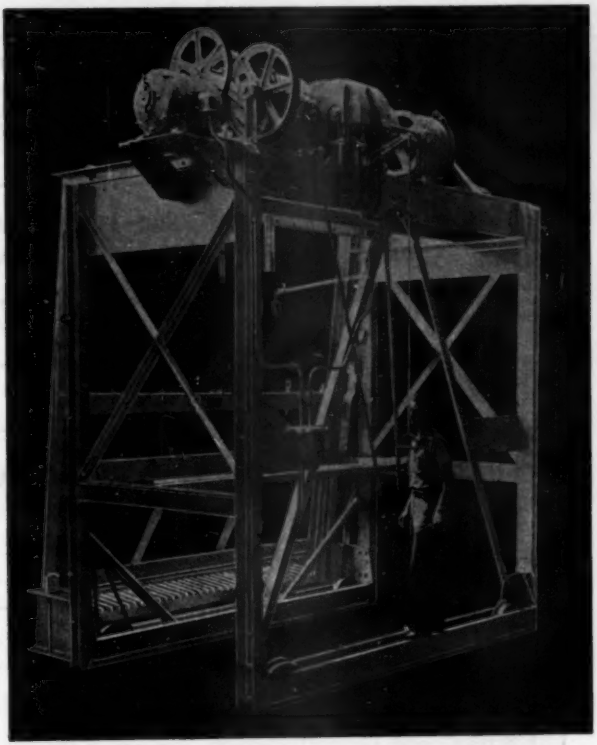
There's a better-built GMC for all hauling jobs . . . for every transportation task . . . Christmas time and all the time!

GMC TRUCK & COACH DIVISION
GENERAL MOTORS CORPORATION

GMC
GASOLINE · DIESEL
TRUCKS

Spreading safety with sand, salt or abrasives is just another job for a GMC. The 450 Series medium duty model illustrated is perfect for this type of work. And GMC's complete line, ranging from Pickups to giant Diesels, provides trucks ideally suited for all public utility jobs.

NEWPORT NEWS MECHANICAL RACK RAKE



***WATER** users troubled with trash are invited to write for new descriptive rack rake catalog.*

THE Newport News Mechanical Rack Rake is a power-operated rake for cleaning trash racks at water intakes for hydroelectric plants, steam plants, pumping stations, canals and similar installations. It cleans the rack bars of trash and reduces a former major hand operation to one of minor periodic activity. With Newport News Mechanical Rack Rake installations, one man per shift can, under ordinary conditions, keep the racks clean for a dozen bays.

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY

NEWPORT NEWS, VIRGINIA

PROFESSIONAL DIRECTORY

• This Directory is reserved for engineers, accountants, rate experts, consultants, and others equipped to serve utilities in all matters relating to rate questions, appraisals, valuations, special reports, investigations, financing, design, and construction. » »

PROFESSIONAL DIRECTORY *(continued)*

(Professional Directory Continued on Next Page)

PROFESSIONAL DIRECTORY (*continued*)

PROFESSIONAL DIRECTORY (*concluded*)

INDEX TO ADVERTISERS

[*The Fortnightly lists below the advertisers in this issue for ready reference. Their products and services cover a wide range of utility needs.*]

*Fortnightly advertisers not in this issue.

A RECOGNIZED STANDARD SINCE 1912

TODAY STRONGER MECHANICALLY BUT STILL INTERCHANGEABLE WITH OLDER UNITS

Delta-Star "Unit Type" indoor bus supports, also known as NEMA standard construction class "A" are available in strength classes sufficient for most installations.

1. **PORCELAIN BODIES**—are of highest grade, wet process, chocolate brown glazed, porcelain.
2. **SANDED RECESSES**—at both ends of porcelain body into which inserts are cemented.
3. **INSERTS**—are cemented in sanded recesses by Delta-Star's time tested steam room process. Accurate jigs insure uniform height, parallel surfaces top and bottom and alignment of tapped holes.
4. **360° ADJUSTMENT**—conductor and base fittings are attached to inserts by a single bolt at axis of porcelain permitting full 360° rotational adjustment.
5. **FITTINGS**—every type of conductor and base fitting available—easy to install and convenient for storeroom stock.

Flexible design of indoor UNIT TYPE bus supports has real advantages. Permits time-saving field assembly in many combinations. All parts are interchangeable; can be carried in stock and have high salvage value should changes necessitate removal to another location.

Bulletin 31-C lists parts to make 50,000 combinations—clamp fittings for any conductor, base fittings for any mounting, three insulator strength classes in voltage ratings of 5-kv. to 34.5-kv.

DELTA-STAR ELECTRIC COMPANY

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What does USKON® Electric Heating mean to Electric Light and Power Companies?

Uskon is first of all the nearest thing to perfect heat yet devised . . . from the standpoint of human health . . . for its extremely efficient utilization of power services.

THE MOST HEALTHY HEAT EVER PERFECTED

Uskon provides uniform heat from head to foot, primarily warming objects, not the air. Floors and walls are always warm, humidity remains constant. The air is more fresh, and colds are fewer. Uskon represents what is unqualifiedly the greatest sanitary and hygienic advance in the history of home heating. To be a prime factor in bringing it to more and more people is a feat of great public relations value to the utilities.

PROVIDES MOST EFFECTIVE USE OF SERVICE LINES

But Uskon approaches the theoretically perfect heat for other reasons too. It heats people and objects. Uskon does not have to count on a large excess capacity to overcome lag and give fast pickup as do convection heat systems. With Uskon, detailed engineering specifications are completed for each home. This careful design means that the utility is assured the most efficient use of its equipment and services.

AVOIDS SEVERE STRAIN ON SECONDARIES

Most electrical heaters marketed today are of the convection type. They labor to heat the air, building up sudden heat loads and putting severe strain on the utility system. Uskon always supplies radiant heat—directly balancing the body heat loss. With group installations, Uskon shifts the wintertime peak from the evening to the morning, just when the distribution transformers are in the best position to handle it. And because of Uskon's individual room control, peaks in the load are reduced to the absolute minimum through diversification.

THE PATTERN FOR THE FUTURE

Uskon electric radiant heat, because of its healthfulness, cleanliness, convenience and ease of operation, is destined to play an even larger part in home heating. Uskon is a product of United States Rubber Company and is distributed exclusively by Graybar Electric Company.

Electric heat of the radiant type, like Uskon, reduces peak loads and provides favorable load factors.

We welcome inquiries seeking more complete information about Uskon. One of our sales engineers will supply any facts required. Write Electrical Wire and Cable Department, United States Rubber Company, 1230 Avenue of the Americas, New York 20, N. Y.

Uskon is an electrical radiant heating system utilizing rigid panels placed in the ceiling

USKON USES ELECTRICAL ENERGY ECONOMICALLY BECAUSE:

1. **Effective utilization of radiant waves primarily heats people and objects—not air.**
2. **Rigid engineering specifications of installation and insulation are observed.**
3. **Uskon allows individual room control.**

UNITED STATES RUBBER COMPANY

SERVING THROUGH SCIENCE

Electrical Wire and Cable Department, Rockefeller Center, New York 20, N. Y.